Middlesbrough Council
Annual Statement of Accounts
2010/2011

mima art gallery, Middlesbrough.

Annual Statement of Accounts 2010/2011

Contents

EXPLANATORY FOREWORD – SECTION 1

Introduction

The Statement of Accounts presents the overall financial position for the year ended 31st March 2011 and incorporates all the financial statements and disclosure notes required by statute.

Prior to 2010/11 the Council was required to prepare their accounts according to the Statement of Recommended Practice (SORP) prepared by CIPFA. The SORP was based on UK Generally Accepted Accounting Principles (GAAP) modified for local government.

From 2010/11, all Local Authorities are required to prepare their financial statements in compliance with International Financial Reporting Standards (IFRS). The 2010/2011 Code of Practice on Local Authority Accounting (known as "the Code") is based on International Financial Reporting Standards (IFRS). The Code specifies the accounting principles and practices required to prepare the Statement of Accounts which presents a 'True and Fair view' of the financial position and transactions of the Council and to prepare group financial statements where the Council has material interests in subsidiaries, associates or joint ventures.

New or Changed Requirements for the 2010/2011 Accounts

The introduction of IFRS has significantly changed the way that the Council's accounts are prepared and a large number of areas have been subject to different accounting treatments to that under the old SORP. The key accounting changes impacting on the Council are outlined below:

Non-Current Assets Held For Sale (new)
IFRS introduces a new classification of non-current assets called, assets held for sale. Assets meeting this classification are those where the value of the asset will be recovered mainly by selling the asset rather than through usage.
To be classed as held for sale the asset must meet the following criteria: -

- Be available for immediate sale in its present condition.
- Its sale must be highly probable.
- Management expect the sale to take place within twelve months.

Assets held for sale are to be valued at the lower of their existing balance sheet value or their estimated sale price less costs to sell.

Government and Grants & Other Capital Contributions
Under the previous accounting arrangements, grants received by the Council towards capital expenditure were held in a Government/ Capital Contributions account and written off to Revenue over the life of the asset the grant was used to purchase.

Under IFRS, all such grants are to be treated as revenue income as soon as any conditions relating to the grant have been met.

Investment Property
IFRS introduces a definition of investment property that the old SORP did not have. An investment property is defined as a property which is held exclusively for revenue generation or for the capital gains that the asset is expected to generate. In this respect, the asset is not used directly to deliver the Council's services. Investment properties are initially measured at cost and thereafter at market value.

Component Accounting
IFRS places a greater emphasis on component accounting. Where components of an asset are significant in value in relation to the total value of the asset as a whole, and they have substantially different economic lives, they should be recognised separately. For example, certain assets such as the Council's crematorium are made up of separate elements that have different useful lives. There is no requirement to apply these changes retrospectively and instead components should be recognised separately as and when they are replaced.

Leases & Lease Type Arrangements
Leases can be classified as either finance or operating leases. If a lease transfers substantially all the risks and rewards incidental to ownership it will be classified as a finance lease regardless of its legal form. For assets leased under a finance lease, the asset value should be recognised as an asset and a liability in the Balance Sheet. Leases that do not meet the definition of finance leases are accounted for as operating leases and the income or expenditure is either credited, or charged to, service revenue accounts

Under IFRS, the land and buildings elements of a lease of land and buildings require separate identification for both lease classification and valuation. In most cases, the land element of a lease will be an operating lease.

Operating Segments (new)
Under IFRS, the Council is required to identify and disclose information in its financial statements in respect of operating segments (by service grouping). These are components of the Council about which separate financial information is provided to the Corporate Management Team and Members and is used in deciding how to allocate resources and in assessing performance. This will therefore require the Council to include additional financial information on its activities by Directorate

Employee Benefits (new)
A new requirement under IFRS is that the Council must make an accrual in its accounts for any annual leave earned but not taken by employees at the end of the financial year.

Accounting for Joint Ventures (new)
Where the Council has material interests in companies and other entities such as subsidiaries, associates or joint ventures that require group accounts to be prepared, then these must be recorded as financial assets at cost, less any provision for losses. The Council does not have significant interests in any companies and group accounts are not required.

Annual Governance Statement (AGS)

In May 2008 the Council revised the Code of Corporate Governance in line with the CIPFA/SOLACE framework. The Council has undertaken a review of governance arrangements to ensure continuing compliance with best practice set out in the revised code. The Council has published the results of the review in an Annual Governance Statement in Section 2.

Core Financial Statements

A detailed analysis of the Council's financial position can be found in Section 4, the Core Financial Statements. A brief explanation of the purpose of each of the statements is given below:

Comprehensive Income and Expenditure Statement

This statement is fundamental to the understanding of the local authority's activities. This account summarises the accounting cost of providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Balance Sheet

This statement is fundamental to the understanding of the local authority's financial position as at the 31st March 2011. It reports details of the Assets, Liabilities, Balances and Reserves at the Council's disposal. It provides details of the assets employed in its operation and also identifies all liabilities to give the net equity of the Council.

Movement in Reserves Statement for the period

This statement shows the movement in the year on the different reserves held by the Council, split into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

Cash Flow Statement

The statement summarises the revenue and capital payments and receipts made by the Council to and from third parties. The cash inflows and outflows are analysed on a subjective basis and exclude any internal transfers.

Supplementary Financial Statements

The authority is required to include Supplementary Financial Statements where applicable to an authority's functions. A brief explanation of each statement is given below:

Collection Fund Account

This shows the income received by the Council from Non-domestic rates and Council Tax and indicates how the income has been distributed to the precepting authorities (Cleveland Police Authority and Cleveland Fire Authority), the National Pool (central government) and to the general fund.

Group Accounts

The authority conducts some of its activities through partnerships and separate undertakings. The SORP requires the production of Group Accounts if the amounts are significant. This is not the case for the Council, therefore group accounts are not required.

<u>Teesside Pension Fund Accounts</u>

The Teesside Pension Fund is a local authority Occupational Pension Scheme and the management structure and scheme rules are defined in the Local Government Pension Scheme Regulations 1997.

The Fund provides for the payment of retirement benefits to local authority employees and former employees of the Teesside area and other bodies admitted by agreement. The Fund is administered by Middlesbrough Council via the Teesside Pension Fund and Investment Panel, which has plenary powers to make decisions without reference to the Council. The Panel acts in a similar manner to a Board of Trustees of a private sector pension fund.

The day to day running of the Teesside Pension Fund is delegated to the Director of Strategic Resources of Middlesbrough Council. He is responsible for implementing the strategies and policies set by the Pensions and Investment Panel. Supporting him is a team of staff split into two units, one being the Pensions Administration Unit, which is responsible for the calculation and payment of pension benefits and for looking after the employer interests in the Fund. The other is the Loans and Investment Unit, which is responsible for the investments made by the Fund.

Significance of any pensions liability or asset for the Council

Details of the Council's pension liability calculated under IAS 19 are shown at Note 42 of the core financial statements. During 2010 the triennial valuation of the Pension Fund took place, giving a fuller assessment of the liabilities of the scheme

Effectively the pension scheme is in deficit by £79.1 million compared with what is needed to pay the pensions of current scheme members and the effect is to reduce the overall net worth of the Council by that amount. This is a significant improvement on the previous valuation in 2010 of £193 million. Statutory arrangements for funding the deficit are in place. The improvement in the deficit position means the Council is able to pay reduced employer contributions from 2011/2012 onwards.

REVIEW OF THE 2010/2011 FINANCIAL YEAR

Introduction

Local electors and taxpayers have statutory rights to inspect the accounts before the audit is completed and to question the auditors. The Council advertises the inspection ("deposit") period in the local papers. In order to make the final accounts as widely available as possible the Council publishes them on the Internet at www.middlesbrough.gov.uk and Middlesbrough residents have internet access at their local libraries. From the Statement of Accounts page you can also read the Audit Commission briefing "Council's Accounts – Your Rights".

Revenue Spending in 2010/2011

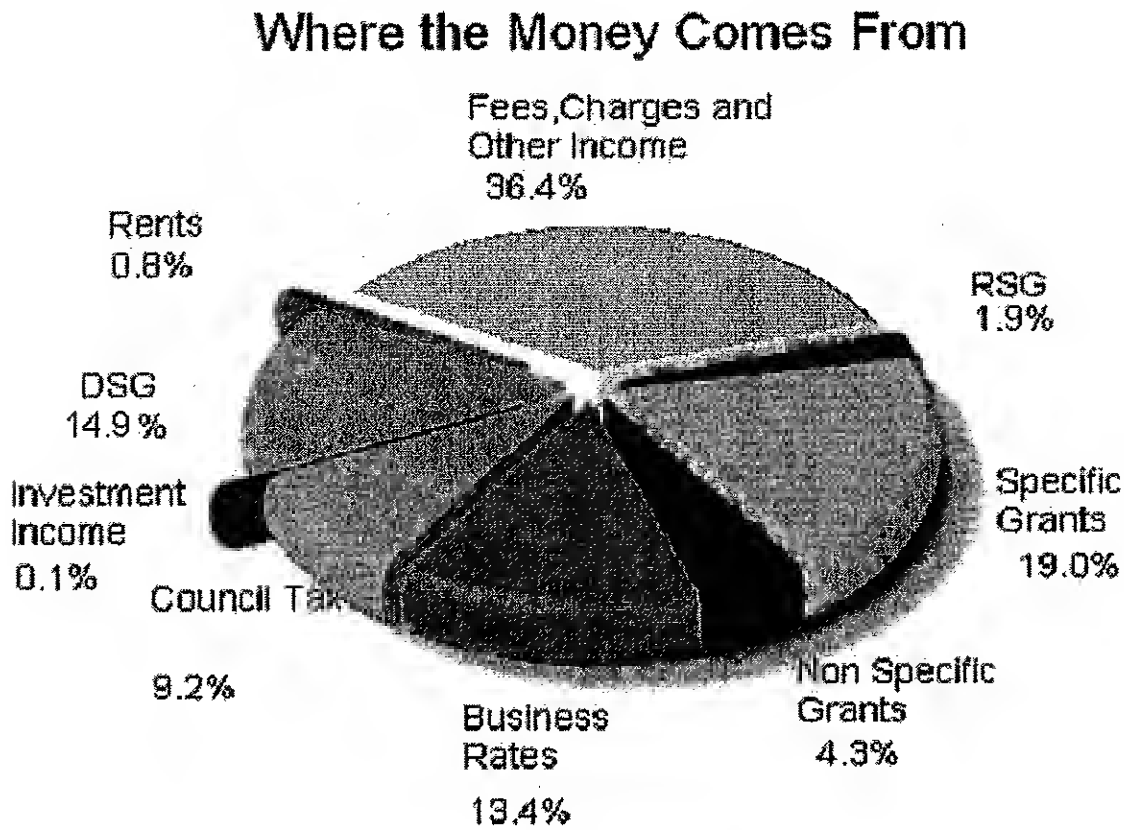
General Fund Summary Revenue Account

The General Fund covers all services provided by the Council.

The charts summarise the gross expenditure in the year and the sources of funding for that expenditure. The charts cannot be directly compared to the data in the Comprehensive Income and Expenditure Statement as capital financing costs are shown differently for presentation purposes.

Where the Money Comes From

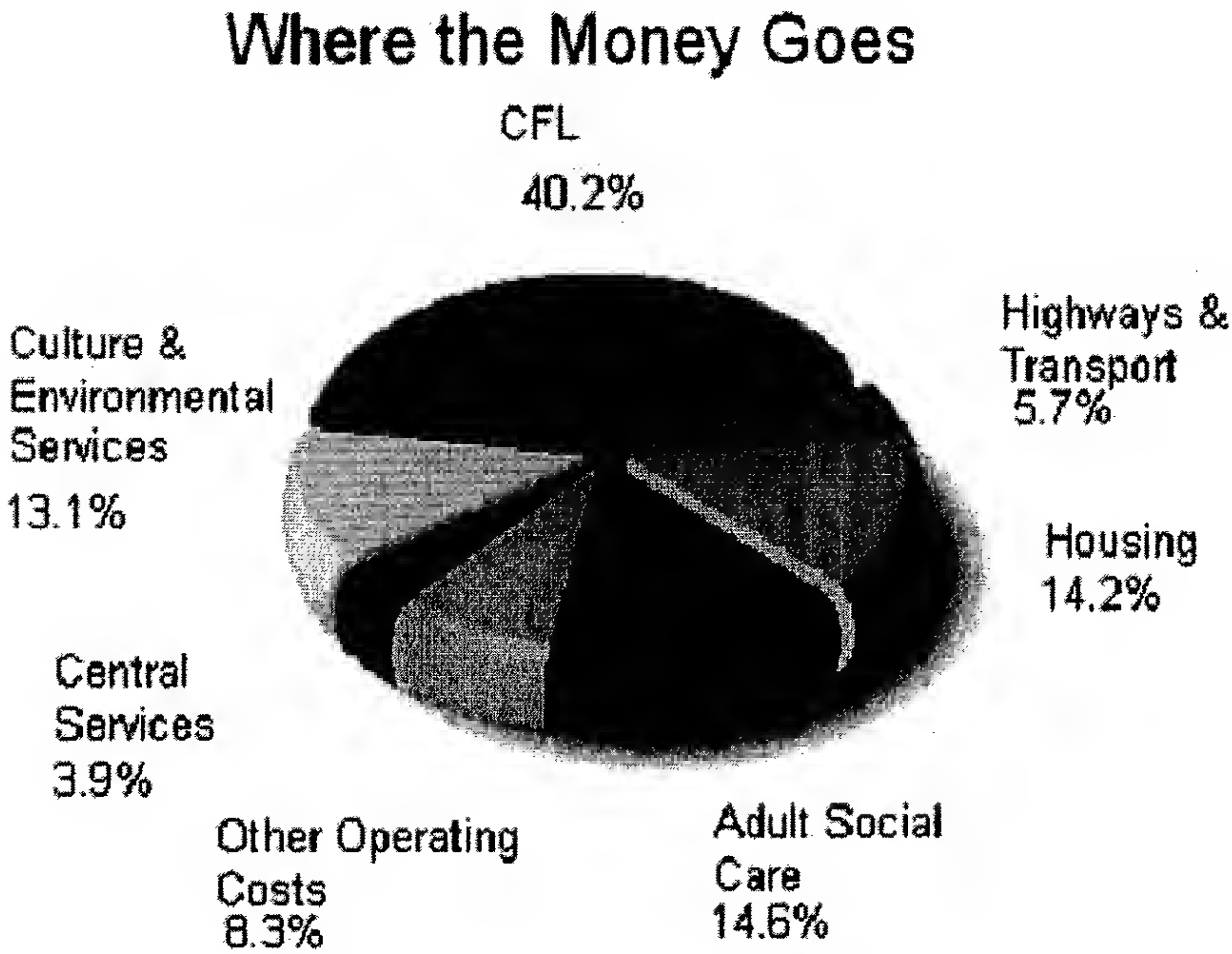
Source	Funding £M	Percentage %
Revenue Support Grant	10.6	1.9
Dedicated Schools Grant	81.8	14.9
Specific Grants*	103.3	19.0
Non Specific Grants	23.2	4.3
Business Rates	73.0	13.4
Council Tax	49.9	9.2
Investment Income	0.6	0.1
Rents	4.2	0.8
Fees, Charges and Other Income	198.4	36.4
Total	545.0	100.0



*Specific grant breakdown -
An analysis of specific grants received during 2010/11 is shown in Section 4 - Note 36.

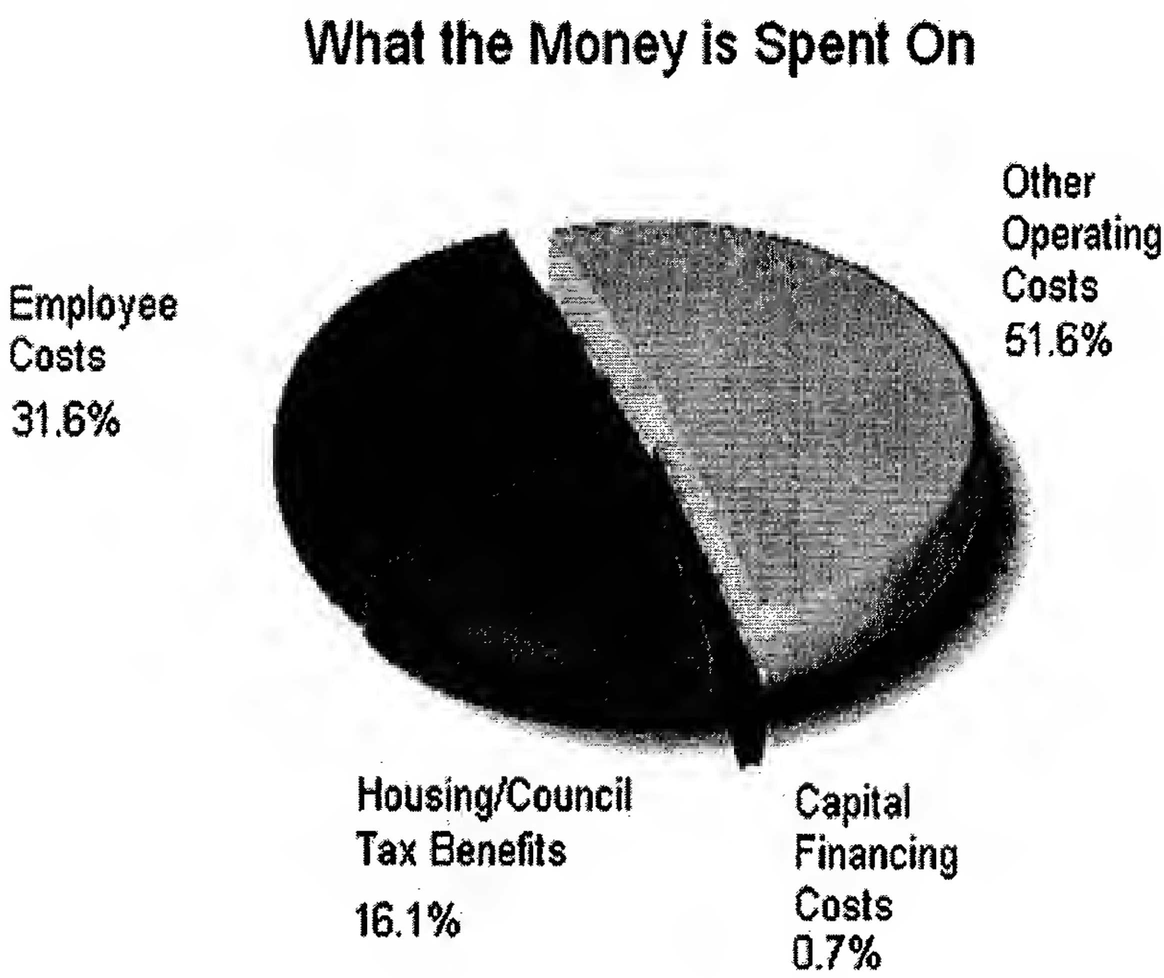
Where the Money Goes

Service	Spending £M	Percentage %
Central Services to the Public	21.0	3.9
Cultural, Environmental Regulatory and Planning	71.3	13.1
Children Families and Learning	219.5	40.2
Highways and Transport Services	31.1	5.7
Housing	77.3	14.2
Adult Social Care	79.6	14.6
Other Operating Costs	45.2	8.3
Total	545.0	100.0



What the Money is Spent On

Source		Amount £M	Percentage %
Employee Costs		172.3	31.6
Other Operating Costs		281.1	51.6
Capital Financing Costs		3.8	0.7
Housing and Council Tax Benefits		87.8	16.5
	Total	545.0	100.0



The 2010/2011 Revenue Budget

The main components of the revenue budget for 2010/2011, and how these compare with the actual income and expenditure are set out below.

Budgeted Expenditure	Budget £M	Outturn £M	Variance £M
Service Budgets			
Children, Families & Learning	30.5	30.3	-0.2
Social Care	48.6	48.1	-0.5
Environment	27.1	27.1	0.0
Regeneration & Culture	14.7	14.0	-0.7
Central Services	26.8	25.8	-1.0
Corporate Costs	-12.6	-10.6	2.0
Net Service Expenditure	**135.1**	**134.7**	**-0.4**
Budgeted Contribution from Reserves	-1.5	-1.5	0.0
Net Impact on the General Fund	**133.6**	**133.2**	***-0.4**

* NB. actual outturn variance for 2010/11 was -£418,000

Summary of the Council's financial performance for the financial year 2010/2011

A detailed report on the financial outturn for the Council was presented to the Council's Executive Board on 21st June 2011, which confirmed that a saving of £418k had been achieved on the revenue budget of £133.6 million set by the Council. The major variations were:

- **Children Families and Learning saving of -£175k** There was increased demand for agency fostering services £0.552 million and agency residential care for children £1.391 million. The use of agency social work staff to cover vacancies in locality teams added £390k to the pressure in Family services. These were partly offset by savings of £1,237k achieved by maximising the use of specific grants across the service, savings on in-house fostering £255k on school transport £177k, spending freeze £237k and from vacancy management and staffing restructures £513k Increased income amounted to £91k.

- **Social Care saving of -£458k** There were pressures from increased demand for services of £1.226 million this was funded from the service demand led contingency fund. Decrease in Supporting People contributions created a pressure of £262k and there was a further reduction in trading for Ayresome Industries £484k. These pressures were offset by savings from reducing the hourly rates for Direct Payments £74k, maximising the use of the Supported Living funding £214k, management of vacancies £693k. One off additional income from the Health Service amounted to £205k.

- **Environment pressure of £8k.** The current economic climate and adverse winter weather had a major impact on the service. Car-parking income fell short by £415k and the golf centre income by £136k. The weather also reduced the income for the Highways Maintenance section by £369k. This was offset by net savings on premises and running costs £316k and the management of vacancies across the service of £483k.

- **There was a net saving of £708k in Regeneration**. The savings were due to staff turnover, reduced spending on Regeneration initiatives and the maximisation of Working Neighbourhood funding and Housing Planning Delivery Grant

- **Corporate Services saving of £984k.** The £177k savings on Legal and Democratic Services were mainly from extra fee income, savings on staff and members budgets. In Strategic Resources there was a saving of £592k mainly from increased Housing Benefits overpayments recovery of £223k and court costs recovery of £88k and management of vacancies of £172k. There was a saving of £130k on the Corporate Initiatives fund. There were net savings of £206k on staffing costs within the Policy & Performance section.

- There was a net pressure of £2m on Corporate Costs. This was mainly due to funding of additional winter maintenance costs £246k, a reduction in right to buy receipts of £141k. These pressures were offset by savings on pay & prices inflation of £1.9 million and additional interest on balances £863k and reduced pension payments of £310k. The Council approved the allocation of £5.5 million to the Invest to Save/Change Program reserve, £0.5k to the Social Care & Vulnerable Children reserve and. £0.5k to the Social Care Winter Pressures Reserve.

The Coalition government made an announcement on the 24th May that outlined a reduction of £6.2 billion of public sector spending for the current year (2010/2011). Local government were given a target of £1.2 billion, mainly through Area Based Grant reductions. From June 2010, Middlesbrough received a reduction in central government support of £4.4 million (£3.2 million revenue funding: £1.2 million Capital funding). The reductions represented a 10.45% reduction in Area Based Grant funding to Middlesbrough.

Service Efficiency Savings/Budget Reductions

It is estimated that since 2004 the Council has delivered efficiency savings of £44 million. This success has been down to the consistent drive to deliver efficiency through our purchasing decisions, our investment in new technology and our willingness to work in partnership across the public, private and voluntary sectors.

Changes on the Balance Sheet

Major movements on the balance sheet from 31 March 2010 to 31 March 2011 are as follows:

- The Council's total value of Property, Plant & Equipment has increased by £27.4m. This is made up of additional expenditure of £60.7m, a revaluation of existing assets of £4.7m, less disposals of £31.3m and depreciation, impairments and adjustments of £6.7m.

- Where the Council's external qualified valuers, Mouchel Business Services Ltd, have determined that the book value of any of the Council's assets have fallen, this has been reflected in the Council's accounts and the impact is shown under Impairment of Fixed Assets. The financial impact of Impairment of Property, Plant & Equipment in 2010/11 was £21m (2009/10 £7m). (See Note 13 to the Core Financial Statements for further details)

- The value of Investment Property reduced by £5.2m mainly as a result of the demolition of houses in the Inner Middlesbrough area. The reduction in the Long-term investments of £3.0m is from cash that was on long-term deposit being reclassified as short-term because the money is due to be repaid to the Council in 2011/2012. Short-term investments were therefore increased.

- Short Term investments increased by £4.6m representing increased cash balances available for investment at the year-end.

- The Council's short term debtors decreased by £1.6m. The balance on the VAT account decreased by £0.8m. Outstanding contributions from partners towards the cost of the Tees Community Equipment Service fell by £0.3m and the Designated Authority contributions reduced by £0.2m. Section 106 developers contributions decreased by £0.4m. There was a net increase of £0.1m in the value of miscellaneous debtors.

- Short Term borrowing increased by £5.0m as the Council reclassified loans repayable within one year from long term borrowing.

- Short Term Creditors reduced by £4.6m. This was mainly due to a reduction of the value of short term lease payments of £1.5m, a reduction in the value of sundry creditor accounts of 1.7m and a decrease of PCT income and contributions paid in advance of the next financial year of £1.2m.

- The Council's Long term borrowing reduced by £5.0m during 2010-11 as it reclassified loans repayable within one year to short term as described above.

- The IAS19 estimated net pensions liability has decreased by £113.9m from £193m to £79.1m due to increases in asset values and a change by central government to increase future pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The assumption is that CPI will increase at a slower rate than RPI and so pension increase and therefore the

IAS29 liabilities will be lower. The actuary reflects these changes in the valuation of the fund.

The movement on the General Fund balance was:

Opening Balance	5,721
Less:	
Allocation to 2010/11 Revenue	-1,000
Add:	
Net 2010/11 Revenue Saving	418
Balance as at 31st March 2011	5,139

Local Economic Climate 2010/2011

Following a difficult couple of years recent evidence suggests that the economy is recovering slowly. Recently there have been several good news stories including the recommencement of steel making in the area; however there are still challenges ahead particularly for Small / Medium Enterprises:

Business and the Labour Market

- SSI took over the Corus steel making plant at Redcar creating 800 jobs and put in plans to start producing steel again by September 2011.
- The announcement of the Hitachi Rail Project was a further boost to the region creating more than 500 permanent jobs and a further 9,000 across the supply chain.
- Official figures show a 0.5% rise in economic output in the first three months of this year.
- The retail sector still face challenges ahead although there appears to be some stabilisation in this area.
- There is evidence to show that the number of business failures is now decreasing.
- On the whole empty commercial properties continue to rise however there has been a slight improvement in occupancy rate figures for the Council's business enterprise units. There is also a slight improvement on occupancy rates for the Council's overall commercial property portfolio up to 91%.
- Unemployment continued to rise throughout the year although the rate of increase has slowed and now stands at 7.7%.

Housing Market

- The average sales prices for properties in Middlesbrough increased from £87,024 to £89,782 between April 2010 and January 2011(last available comparative figures).
- In 2010/11, 165 new affordable homes were built down from the 207 in 2009/2010
- The total number of dwellings completed in 2019/11 was 373, up from 343 in 2009/10.
- In 2010, 260 Mortgage possession claims were issued (minus 11% annual change on 2009). Landlord Possession Claims numbered 330 (minus 9% annual change since 2009). (Ministry of Justice)
- Right to Buy sales of former council properties continued to be very low.

Individuals

- Money/Debt Enquiries continue at a high level
- Council Tax arrears increased
- Rent Arrears increased
- Impact on family stability

Impact on the Council

• Increase in bad debts	• Increased court fees, staff workload and reduced income
• Requests for Hardship relief / empty Property relief / small business rate relief for Business Rates up substantially.	• Increase in staff workload
• Large increase in Benefit Claimants	• Increase in staff workload and administration costs.
• Further reduction in income from Car parks / Commercial Property Rents / planning fees	• Large budget pressures for services.
• Council share of Right to Buy receipts down	• Continues to be a budget pressure.
• Increased demand for Welfare rights / Citizens advice services	• Increase in staff workload
• Further increase in children taken into care	• Increase in social worker work load and huge costs
• Significant increase in numbers of free school meals.	• Additional funding provided by schools to maintain the quality
• Capital receipts reduced and delayed	• Possible difficulties funding the Council's Capital Programme.

Looking Ahead to 2011/2012 and beyond

The Coalition Government issued the draft Local Government Finance Report on the 13th December 2010 with the final settlement being confirmed on the 31 January 2011. This set out detailed Local government figures on an individual authority basis for the next two years. Middlesbrough received an 8.8% reduction in "Revenue Spending Power", which is a reduction of approximately £15.2 million for 2011/2012. This was one of the highest levels of reduction within England. There is a further reduction of £5.9 million in central government support for 2012/2013

In addition to the reduction in external funding there are increased costs and financial risks from increases in service pressure relating to fostering and residential care for Supported Children (£2.3 million) and in Adult Social Care (£ 0.750 million), largely the result of an ageing population with increasing care needs.

Over the next four years the total gap is estimated to be £50 million.

The Council has identified savings from service efficiencies, staffing structure reviews, accommodation review, joint working with other bodies, and service reductions to fund the reductions for 2011/2012. The process is continuing during

2011/2012 and the Council will need to make some difficult and fundamental changes in the services it provides and the way it operates to cover the £50 million.

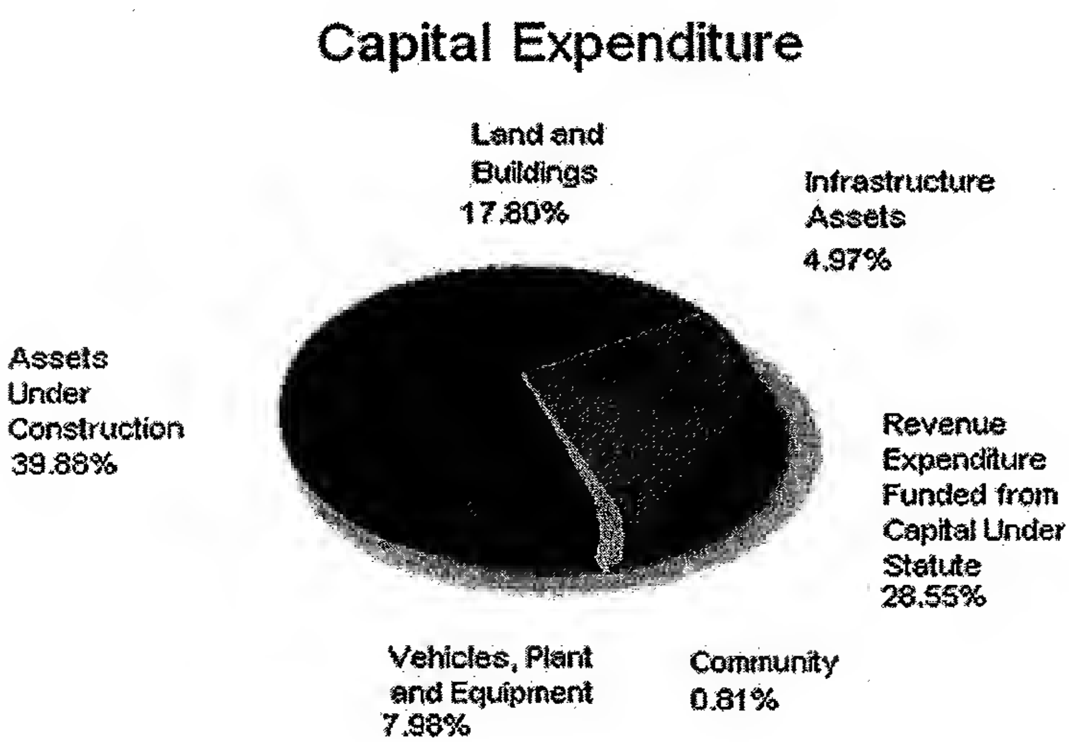
There will be a significant risk on the delivery of planned savings/cuts and the Council will need to continue to invest in service reconfiguration both to improve services and generate greater savings. The Council has transferred savings made during 2010/2011 (£5.4 million) in to the Invest to Save/Change Programme Reserve to fund this essential investment. It has also transferred £0.5 million into the Social Care / Venerable Children reserve to cover financial risks related to increased demand.

Capital Spending in 2010/2011

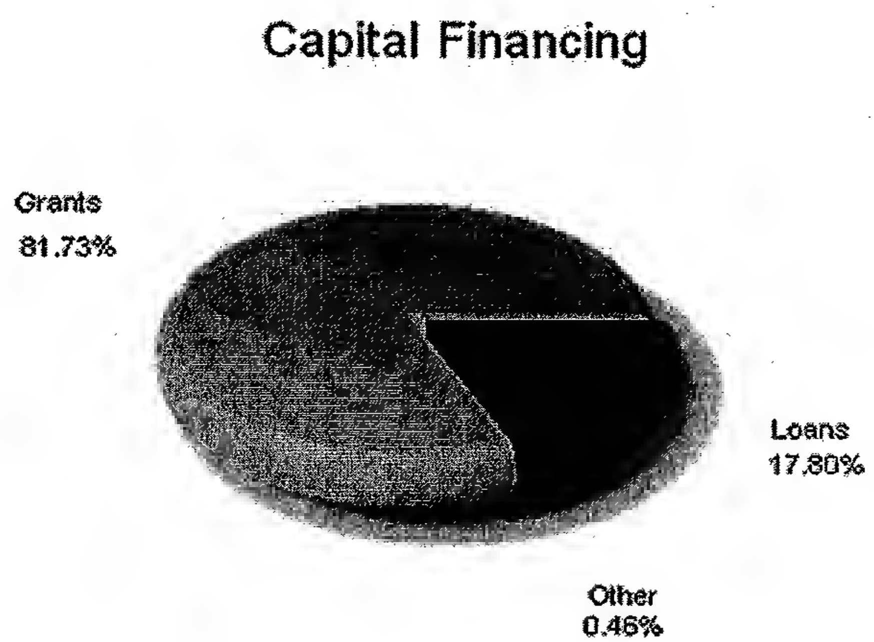
In 2010/2011 the Council spent £86.5m on capital projects. The charts provide details of this spending and how it was financed during the year.

Capital Expenditure	Spending £M	Percentage %
Assets Under Construction	34.5	39.8
Land and Buildings	15.4	17.8
Infrastructure Assets	4.3	5.0
Revenue Expenditure Funded from Capital*	24.7	28.5
Community Assets	0.7	0.8
Vehicles Plant and Equipment	6.9	8.1
Total	86.5	100

* Revenue Expenditure Funded from Capital represents expenditure, which is classified as capital, but does not result in the creation of an asset owned by the Council. Examples include home improvement grants.



Capital Financing	Funding £M	Percentage %
Grants	70.7	81.7
Loans	15.4	17.8
Other	0.4	0.5
Total	**86.5**	**100**



Major Items of Capital Expenditure

Details of the amounts spent on major capital schemes in 2010/2011 are shown below:

Scheme Description	£'000
Corporate	
Equal Pay Awards	997
This is the estimated non-recurring costs of future equal pay settlements.	
Building Improvements Programme – Lifts	500
A 3-year lift refurbishment programme in Council buildings.	
	1,497
Children Families & Learning	
Myplace Youth & Community Centre (former Custom House)	1,250
Refurbishment of the former Custom House to create a world-class youth facility.	

	£'000
Primary Strategy for Change - Berwick Hills A new 315-place school on the existing Berwick Hills Primary School site.	5,197
Primary Strategy for Change - Archibald Primary Alterations to Archibald Primary School kitchen/dining hall linking to main school block.	1.219
Primary Strategy for Change - Beechwood / Marton Grove Primary Refurbishment and extension of Beechwood Primary School to create a single 420-place school.	2,151
Primary Strategy for Change - Green Lane Primary Foundation-Stage Classroom Replace free-standing nursery and isolated reception class with extension to existing school giving integrated Foundation-Stage classroom linked to the Sure Start facility; new access and reception area.	2,723
Building Schools for the Future - Acklam Grange Design and Build New school on existing Acklam Grange school site, retaining the existing sports complex and City Learning Centre.	7,371
Building Schools for the Future - Ormesby & Priory Woods Design and Build New school, developed as a combined scheme with both Ormesby School and Priory Woods Special School.	7,920
Building Schools for the Future - Oakfields (former Acklam Base) - Design and Build New school, to be named Oakfields Community College, on existing school site to replace both the Hall Garth and King's Manor Schools.	5,981
Building Schools for the Future - Ashdale - Design and Build Rebuilding Ashdale Pupil Referral Unit (PRU) in a new location, next door to Parkwood PRU.	2,671
Building Schools for the Future - Trinity RC College Design and Build Predominantly (80%) new build on the Newlands FCJ School site, with the retention of some existing buildings, to replace both the St. David's and Newlands FCJ Secondary Schools.	15,126
Building Schools for the Future - Prince Bishop (formerly Tollesby & Beverley) - Design and Build Co-location of Beverley and Tollesby schools in a new building with shared facilities.	11,189

	£'000
Building Schools for the Future ICT - Acklam Grange ICT Managed Service Provider (MSP) at the new Acklam Grange School as part of the Building Schools for the Future programme.	1,209
Building Schools for the Future ICT – Ormesby ICT Managed Service Provider (MSP) at the new Ormesby School as part of the Building Schools for the Future programme.	791
	64,798
Environment	
Local Transport Plan Highways Maintenance A rolling programme of road maintenance projects across the borough.	812
Smart Ticketing One-off scheme for a combined North East bus ticketing system.	508
HTG - Urban Safety Management Grant-funded scheme to introduce a 20mph zone in the Linthorpe area of the town.	554
Cemetery Infrastructure Improvements Replacement of the cremators at the crematorium and to carry out improvements to the buildings and car park.	945
Cycle Circuit Development Construction of a new cycle track at Prissick, built in conjunction with British Cycling.	618
Purchase of New Vehicles Funding for the purchase of essential vehicles across the Council.	2,677
Stewarts Park Heritage Lottery Fund Delivery Stage (Phase 2) Restoration of Stewart Park including restoring several of the original Victorian features.	2,114
Highways Maintenance - Road Repairs. Additional funding for the repairs to the highways caused by the bad winter weather.	1,525
	9,753
Regeneration	
Disabled Facilities Grant Funding for adaptations to dwellings to enable disabled people to continue living at home.	971

	£,000
Places of Change Programme - Wellington St Hostel Multi funded new-build hostel led by the Riverside Housing Group. The new facility will improve homelessness provision within Middlesbrough.	1,467
Inner Middlesbrough Implementation The acquisition and clearance of older properties, the provision of new housing and improvement works in the Gresham area.	2,558
	4,996
GRAND TOTAL	**81,044**

Section 2: Corporate Governance Statement

CORPORATE ASSURANCE STATEMENT 2010/2011

SCOPE OF RESPONSIBILITY

Middlesbrough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Middlesbrough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness. In discharging this overall responsibility, Middlesbrough Council is also responsible for putting in place proper arrangements for the governance of its affairs facilitating the effective exercise of the Council and Teesside Pension Fund functions including arranging for the management of risk.

Middlesbrough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Frame work Delivering Good Governance in Local Government. A copy of the code is on the Council website at www.middlesbrough.gov.uk or can be obtained from Legal Services, Middlesbrough Council, Town Hall, Middlesbrough, TS1 2QQ. This statement explains how Middlesbrough Council has complied with the code and also meets the requirements of regulations 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit Regulations 2006 in relation to the publication of a statement of internal control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework encompasses the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risk to the achievement of Middlesbrough Council's policies, aims and objectives;
- evaluate the likelihood of those risks being realised and the impact should they be realised, and;
- manage them efficiently, effectively and economically.

The governance framework has been in place within Middlesbrough Council and Teesside Pension fund for the year ended 31st March 2011 and up to the date of approval of the annual report and accounts.

Section 2: Corporate Governance Statement

THE CORPORATE GOVERNANCE ENVIRONMENT

In January 2004 the members of Middlesbrough Council approved "The Code of Corporate Governance". The code was reviewed and updated to incorporate the Corporate Governance framework set out in the CIPFA/SOLACE document "Delivering Good Governance In Local Government". The new Framework comprises six core principles that support the governance of the Council. These core principles of the corporate governance environment, which underpin the credibility and confidence in the Council and the Teesside Pension Fund are set out in this document.

Core Principle 1: Focussing on the Council's purpose and on outcomes for its citizens and creating and implementing a vision for the area:
Good governance ensures that the Council fulfils its purpose and achieve the intended outcomes for its citizens and service users and that it operates in an effective, efficient, economic and ethical manner. The Council has therefore developed a clear vision of its purpose and intended outcomes, which is communicated both within the authority and to external stakeholders.

Middlesbrough Councils Ambition And Prioritisation

Middlesbrough Council and its partners have a well established, clear and ambitious long-term vision for the town, which is articulated in the Sustainable Community Strategy (SCS). As well as the overall vision for the town, the SCS identifies its strategic priorities, priority outcomes and associated indicators and targets. The Sustainable Community Strategy is structured around outcomes and targets which reflect both local needs and national priorities.

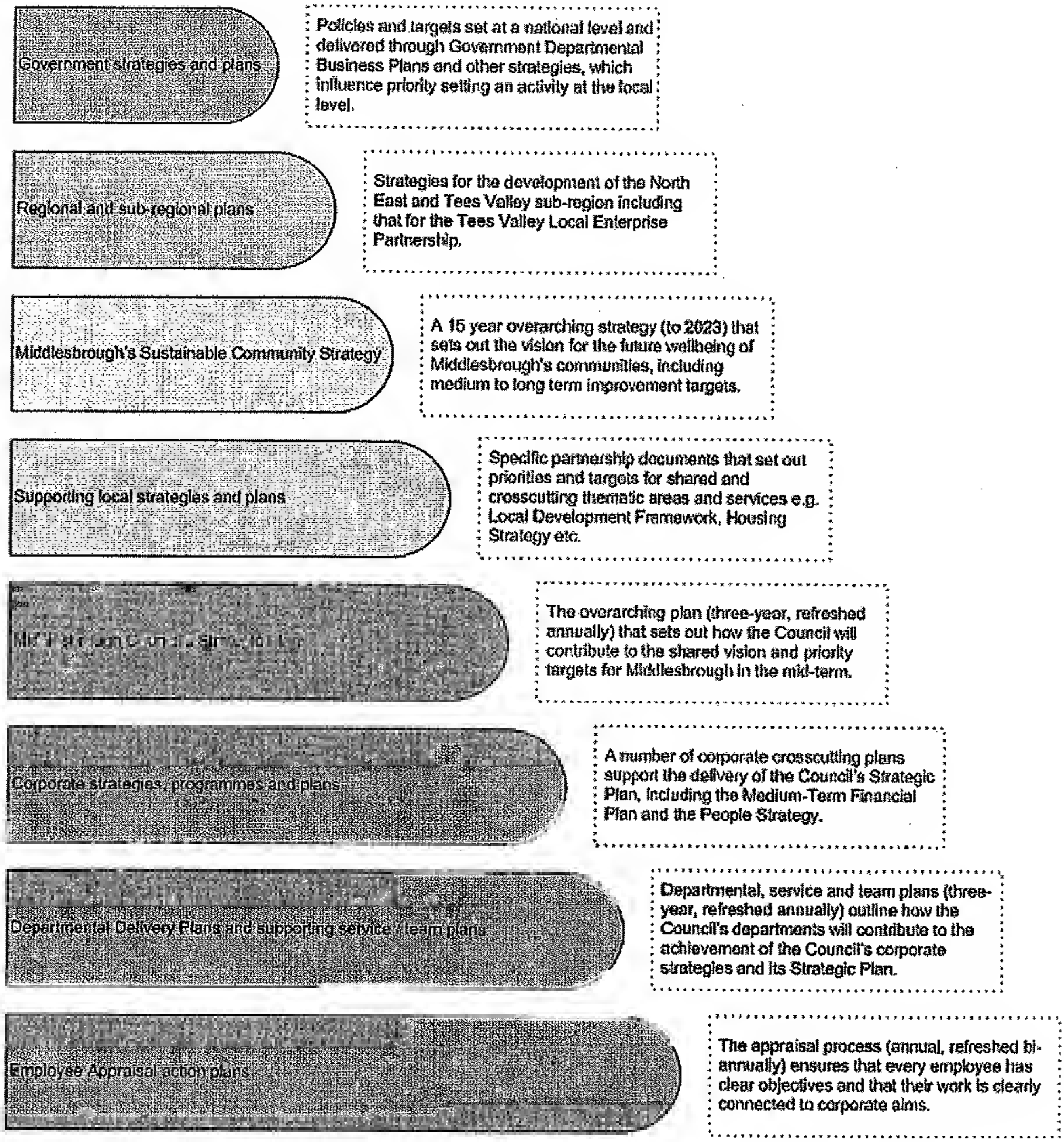
The Council is one of only 13 in the country operating a directly elected mayoral model. The Mayor was elected in May 2002 and re-elected for a second term in May 2007. The Mayor supported by the Council's executive and non-executive Councilors has set the "Raising Hope" agenda for change. The "Raising Hope" agenda prioritises the Council's Sustainable Community Strategy. The key elements or pillars of the agenda are:

- a clean, safe environment in which people can go about their business without fear of crime and anti-social behaviour;
- physical regeneration of the town's run-down sites and buildings;
- a business-friendly enterprise culture which welcomes would-be investors;
- a transport network that can meet the needs of a town on its way up.

Education and care for young people and support to vulnerable people in the town provide a foundation for these pillars.

Section 2: Corporate Governance Statement

The diagram below outlines the relationship between the key local strategic plans.



In 2004, the Mayor introduced the second phase of the Raising Hope agenda, the reduction priorities. By focusing on causes, rather than symptoms, the reduction priorities promote a cycle of improvement in the quality of life of local residents, redirecting resources from reactive towards more proactive interventions. Many of the reduction priorities are longer-term and can only be achieved through partnership with other public sector agencies, the business and voluntary sectors, and local communities. Good progress has been made against the 20 reduction priorities.

Section 2: Corporate Governance Statement

In 2010 the Mayor launched the Middlesbrough Citizens Code. The Code aims to encourage everyone to make a positive contribution to life in the town, by promoting a positive image of Middlesbrough and playing their part in reducing crime and antisocial behaviour, reducing inequalities and supporting vulnerable groups.

Core Principle 2 – Members and officers working together to achieve a common purpose with clearly defined functions and roles:
Elected members are collectively responsible for the governance of the Council. The Local Government Act 2000 introduced new executive arrangements whereby full Council following proposals from the Executive agrees the Council's policy framework, budget and key strategies. The Executive, which comprises elected members, is responsible for implementing them and is responsible for exercising all functions of the Council except to the extent they have been categorised as non-executive functions (e.g. planning, licensing, elections and other miscellaneous functions). This effectively separates decision-making and scrutiny of those decisions. The Chief Executive, Section 151 officer, Monitoring Officer and other senior managers are responsible for advising the executive and scrutiny committees on legal, financial and other policy considerations.

Executive Roles:
The Mayor has a mixed party Executive of eight, holding the following portfolios, which are focused on the delivery of the Council's priorities:

- Deputy Mayor
- Regeneration and Economic Development
- Social Care
- Public Health
- Resources
- Public Health and Sport
- Street Scene & Transport
- Children, Families and Learning
- Community Protection

Clear Policy and Decision Making:
The Council has in place clearly documented and understood management processes for

- policy development, implementation and review,
- decision-making,
- monitoring, control, and reporting.

It also has formal, procedural and financial regulations to govern the conduct of the authority's business. These processes are detailed in the following documents:

- Constitution
- Scheme of Delegation to Officers
- Financial Procedure Rules
- Terms of reference for the Independent Allowances & Remuneration Panel
- Scheme of Delegation to Individual members of the Executive
- Executive Members Performance Management process guidance
- Formal scrutiny process guidance
- Terms of reference for the Independent Teesside Pension Fund panel

Section 2: Corporate Governance Statement

Ensuring Compliance with Council Decisions, Rules and Regulations:
Like all local authorities, Middlesbrough operates within a statutory framework, which governs the behaviour of elected members and officers. The following officers also have a specific duty to ensure that the Council acts within the law and uses its resources wisely:

- Chief Executive (Head of Paid Service)
- Director of Legal and Democratic Services (Monitoring Officer)
- Director of Strategic Resources (Section 151 Officer)

Regular reviews by the Council of progress against its corporate plans / objectives:

- Middlesbrough Council Strategic Plan (by 30 June annually);
- The delivery plan for the Sustainable Community Strategy is reviewed annually;
- Annual Statement of Accounts.

Value For Money
The need to be efficient and provide value for money has long been a necessity for Middlesbrough. The Council continues to secure significant cost reductions and achieves good value for money by balancing costs, service quality and working environment. The Council has been one of the most successful in the country in achieving value for money savings and re-investing them into front line services. Savings of £26.957 million have been made against a target of £18.414 million since 2007. It is continuing to build on existing value for money methodologies, structures and processes. These are outlined in the Council's Value For Money strategy.

The following activities are being undertaken to improve value for money across the Council:

- The identification of growth and savings through the budget process; - Savings targets and growth proposals for each service area are presented annually to the Executive as part of the budget process and the setting of the Medium Term Financial Plans.
- Value for money reviews - capturing efficiency gains through a targeted efficiency programme.
- The Council's corporate procurement strategy is underpinned by the principles of value for money to ensure effective corporate procurement mechanisms;
- Reviewing partnership opportunities within services; – Partnership arrangements provide value for money through efficiency savings.
- Performance management (including corporate and business planning and risk management).
- An efficient organisational structure maintained through the active management of staffing costs and information.
- Benchmarking exercises with similar authorities to identify areas of potential improvements.
- An effective training programme to embed the value for money culture across the Council.
- Effective scrutiny via scrutiny panels, budget and performance clinics.

- Value for Money Team established to support services in carrying out reviews and delivering savings along with the Corporate Performance and ACT sections.
- Exploring opportunities for joint commissioning/joint working/joint use of assets with other Local Authorities and public sector organisations to achieve savings.
- Promote the basic principles of value for money across all levels of the Council by issuing newsletters and attending the manager's induction speed networking event.
- The development of a transformation group comprised of senior officers to carry out key cross cutting improvement projects including a review of senior staffing levels, Accommodation, Transport and administration.

Partnerships
Modern local government is built around partnership working and Middlesbrough is no exception. As a comparatively small town, relationships between partners are generally close and there is a well established and understood common agenda enshrined in key documents, particularly the Sustainable Community Strategy.

At the local level, the Local Strategic Partnership (LSP) is the key partnership. The LSP brings together at a local level parts of the public sector as well as the private, business, community and voluntary sectors so that different initiatives and schemes support each other and work together. The LSP is responsible for developing and driving the implementation of the six key themes of the Sustainable Community Strategy to improve the quality of life locally.

Middlesbrough Sustainable Community Strategy Themes:

- Creating safer communities;
- Creating stronger communities;
- Supporting children and young people;
- Promoting adult health and well-being – tackling exclusion and promoting equality;
- Enhancing local economy;
- Securing environmental sustainability.

The Council has a significant partnership with the private sector firm – Mouchel, which provides the following services to the Council

➢ Accountancy	➢ Human Resources
➢ Pensions Admin	➢ Debtors
➢ Council Tax & NNDR collection	➢ Creditors
➢ Information Technology	➢ Payroll
➢ Housing & Council tax Benefits	➢ Service Admin Support
➢ Property Management	

The partnership has been extended from the 1st June 2011 for a further 5 years. There are formal monitoring arrangements in place to measure performance as well as investment.

Section 2: Corporate Governance Statement

Monitoring and Reporting Management Performance

The Council has in place a well-established Corporate Performance Framework that links strategic / organisational planning and monitoring to team and individual performance.

The Strategic Plan is the Council's overarching plan and is central to all planning across the organisation. The Plan provides a strategic overview of the business of the Council, outlining:

- headline performance measures, standards and targets; and
- key improvement activity for the coming year and beyond.

The Plan is the core component of the corporate performance framework and CMT, Overview and Scrutiny Board and Executive monitor its progress on a quarterly basis.

The Strategic Plan sets out the Council's ambitions and priorities for the mid-term at a strategic and tactical level. Detailed information on service facilitation and delivery is set out in the Council's departmental and service delivery plans and supporting strategies, which are owned and monitored at the directorate and service levels.

Employee appraisals are the final element of the framework. The appraisal process has been developed to promote employee development, to identify training needs, and to establish how each employee contributes to the Council's strategic priorities.

Improvements in performance management during 2010/11 included:

- Improved alignment of budget and performance monitoring through the introduction of joint quarterly clinics.
- Streamlining of corporate performance management requirements in order to improve focus on key targets and programmes.
- The development of an integrated corporate approach to data transparency, including the development of an 'open data' page on the Council's website.

Improvements planned in 2011/12 include:

- A streamlined corporate Strategic Plan from 2011/12, disaggregated by *department and service* (rather than by theme), and focusing on frontline service performance and transformation programmes and projects.
- A reduced set of indicators (derived from the government's Single Data List and supplemented where necessary by local measures) demonstrating the performance of the Council's key services.
- A move towards greater and timelier online publication of performance information of interest to local people, in line with the government's transparency agenda.
- Introduction of a local government sectoral improvement approach outlined in the Local Government Association document *Taking the Lead* (which will in effect replace Corporate Area Assessment.

Core Principle 3 – Promoting high standards of conduct and behaviour across the Council
The Council recognises that good governance is underpinned by shared values and demonstrated in the behaviour of its members and staff. The Council's values (the way in which we will work for the community in pursuing our aims) are set out in our Strategic Plan. The standards of conduct and behaviour expected of members and officers are clearly set out in the codes of conduct for members and for officers. Training programmes for both members and staff support this.

The Council established a Standards Committee in 2005/06, which makes a significant contribution to internal control. The Committee identifies key items, which will have an impact on the Council's overall performance, financial management, risk management, and governance. Some of the key items addressed/discussed in 2010/2011 are set out below.

- Review of the Code of Recommended Practice on Local Authority Publicity
- Abolition of the Standards Board Regime
- Review of Interest Register and Register of Gifts and Hospitality
- Monitoring of Corporate Complaints and Ombudsman complaints

Core Principle 4 – Making transparent decisions which are subject to scrutiny and risk management
The Council recognises that all Council decisions are potentially subject to legal challenge and that it needs to be able to successfully defend such challenges. In order to do so the Council must be able to demonstrate that decision makers followed a proper process, the decision was properly documented and was taken having regard to all relevant considerations whilst ignoring any irrelevant considerations. Scrutiny committees, which comprise non-executive members, can question and challenge the policy and performance of the Executive, and also the Council's policy and performance in respect of non-executive functions. Members and officers must therefore have all relevant information before them, including the outcome of any constructive scrutiny and a detailed assessment of the risks to ensure that Council resources are used legally and efficiently.

Equality Impact Assessment
The Council established the Equality Impact Assessment (EIA) process a number of years ago to ensure that potentially adverse differential impacts arising from the approval of recommendations were systematically identified and set out in reports for the consideration of decision-makers.

Following the enactment of the Equality Act 2010, the Council has reviewed and amended its policy on equality impact assessment in order to:

- meet the revised legal requirements;
- ensure that other critical impacts are identified where appropriate; and simplify the process.

Section 2: Corporate Governance Statement

Scrutiny Function
The scrutiny arm of the Council has been widely recognised for the quality of its work and is led by the Overview and Scrutiny Board, comprising the chair plus 12 members.

The structure of the scrutiny function complements the Council's priorities and the executive portfolios. The following panels report to the Board:

- Children and Learning
- Community Safety and Leisure
- Environment
- Economic Regeneration and Transport
- Social Care and Adult Services
- Ad Hoc Panels as required
- 'Call In' (when initiated)
- Health

Robust Risk Management Processes
The Council has continued to progress the development and embedding of risk management, both corporately, and across all Service areas during 2010/2011. Major developments over recent years have included: -

- Amendment of the Council's scheme of delegation to include
  1. The role of "Risk Management Champion" in the portfolio of the Deputy Mayor
  2. "Issues relating to Corporate Risk Management" in the responsibilities of the Executive
- The Chief Executive has adopted the responsibility for Risk Management;
- Detailed Risk Management training for Service Risk Champions, leading to them achieving an intermediate-level qualification in the subject;
- Formal Risk Awareness training for all Members;
- Establishment of an intranet site providing access to risk management documents, information, and guidance;
- Review of the Risk Management strategy and Risk Management Toolkit (January 2011);
- Development and review of Business Continuity Plans and Flu Pandemic Plans across the authority;
- Management via a computerised Risk Management system including the benefits of data entered once and used many times;
- Risk Management Awareness training included within the Corporate Annual Training Programme (This is available to all staff across the Council);
- Assessment of Risk Management processes to confirm these are aligned with best practice in the 2009 ISO31000 Risk Management Principles and Guidelines;
- Fundamental review of all corporate and departmental risks in light of changes introduced by the coalition Government during 2010/11.
- Monthly discussions at Corporate Management Team meetings to monitor and manage current, key, live risks
- Refresher risk management briefings to staff across all departments with particular focus on operational level risk management.
- Risk workshops to facilitate identification of risks for inclusion in Departmental Service Delivery plans.

Section 2: Corporate Governance Statement

The Internal Audit Function

The effectiveness of internal control is audited and assessed by the internal audit function under the direction of the Director of Strategic Resources and in accordance with prescribed codes of practice.

Internal Audit provides management with assistance and independent guidance on systems, processes and risks and through its work forms a view on the strength of the component controls and the overall control framework.

The Internal Audit function operates under the Local Government Accounts and Audit Regulations, which require the maintenance of adequate and effective systems of internal audit of accounting records and control systems, and full assistance from officers and members in the provision of documents, records, information and explanation to enable the proper fulfillment of those audit responsibilities. The work of the section reflects professional best practice, is guided by the Code of Practice for Internal Audit on Local Government and by the policies, procedures, rules and regulations established by the Authority.

The internal audit function, which works closely with the external auditor, and undertakes a planned programme (covering all the Councils activities) that is approved by the Audit and Governance Committee. The programme includes independent reviews of the systems of internal control and risk management.

The overall objective of Internal Audit is to provide an independent and objective appraisal function, and review and report upon the overall system of internal control. This work encompasses both operational and developing systems. Through this responsibility Internal Audit:

- Facilitates good practice in managing risks;
- Contributes to ensuring sound resource management;
- Recommends improvements in control, performance and productivity;
- Provides reassurance and challenge to managers;
- Encourages development of consistent policies and high standards;
- Assists in the impartial investigation of irregularities and policy breaches;
- Supports the achievement of statutory and best practice requirements.

Middlesbrough Council has entered in to a joint service provision for internal audit with Redcar & Cleveland Council. The Middlesbrough internal audit staff were transferred to Redcar & Cleveland, who will manage the new joint service. There is a Shared Service Agreement document, which sets the Internal Audit requirements of the client - Middlesbrough Council. This shared service commenced on 1ST January 2011 and remain in effect to enable the delivery of the service to 2014/2015.

Internal Audit are responsible for providing relevant, reliable and sufficient audit evidence of the adequacy and effectiveness of operational and other control arrangements, which will allow the Director of Strategic Resources to evaluate the findings and confirm the level of assurance. Internal Audit will also assist Middlesbrough Council's managers by evaluating and reporting to them on the effectiveness of the controls for which they are responsible.

Section 2: Corporate Governance Statement

A report on audit activity together with details of internal audit will continue to be made regularly to the Audit and Governance Committee. The Internal Audit Manager has independent, direct access to the Chief Executive and other Directors.

Within Middlesbrough Council, responsibility for internal control rests with management to ensure that appropriate and adequate arrangements are established. The Internal Audit staff from Redcar & Cleveland are responsible for conducting an independent appraisal and giving assurance to the Director of Strategic Resources and the Audit & Governance Committee on all internal control arrangements.

Internal Audit has concluded overall, based on the findings of work undertaken at Middlesbrough Council, that there are sound systems of internal financial control in place. A number of areas for improvement have been identified and will be implemented on an agreed and phased basis subject to the assessed level of risk.

Effective Audit and Governance Committee
The purpose of an Audit and Governance Committee is to provide independent assurance of the adequacy of the internal control environment, and to oversee the financial reporting process. To achieve these aims, the committee is responsible for the following key functions:

- Reviews of internal audit strategy, annual plan and performance, plus review of summary internal audit reports, and seeking assurance that action has been taken as necessary;
- Consider where appropriate the reports of external audit and inspection agencies.
- Consider the effectiveness of the authority's risk management arrangements, and seek assurances that action is taken on risk related issues identified by auditors and inspectors;
- Ensure that the authority's assurance statements, including the Corporate Governance Statement, properly reflect the risk environment and any actions required to improve it;
- Ensure that there are effective working relationships between external and internal audit, inspection agencies, and other relevant bodies, and that the value of the audit process is actively promoted;
- Reviews the Council's controls on Data Quality processes.

Some of the key items considered in 2010/2011 are set out below.

- Review External auditors (Deloitte's) work programme for 2010/2011
- Internal Audit Plan 2011/2012
- National Fraud Initiative
- Reviewed Emerging Coalition Government Policy
- Impact of National Changes on Local Performance Arrangements
- Update on the Strategic Risk Register
- Risks Within the Regeneration Service

Section 2: Corporate Governance Statement

Strong Financial Management
The system of internal financial control is based upon a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a structure of delegation and accountability. Internal financial controls include:

- The establishment of key controls within the accounting systems of the Council;
- A robust system of budgetary control including formal quarterly and annual financial reports that indicate financial performance up to year end and include action plans for dealing with pressure areas;
- The production of regular financial reports at various levels within the Council which indicate actual expenditure against budgets;
- A clear and concise capital appraisal process for prioritising and approving all capital projects;
- Adherence to Prudential Indicators approved by Council to ensure the Council only undertakes capital expenditure for which it can afford both the financing costs and the running costs;
- Provision of a financial management training course for all new budget managers in partnership with the Institute of Public Finance (IPF);
- Participation in the National Fraud Initiative and subsequent investigations;
- Membership of the National Anti-fraud Network;
- Mouchel, the Councils Strategic Partner, delivers a significant element of the Councils financial processes. The process and discipline of internal controls is also applied to the activities of Mouchel;
- The roll out of a corporate procurement strategy to all services, and review of procurement levels during 2010/2011;
- Provision of a Project Management training course for all new budget managers in partnership with Aim for Excellence;
- A Business Case Development / Whole of Life Costing training course for relevant managers was initiated in March 2009.

Transparency Agenda
The coalition government elected in May 2010 has pledged greater transparency across the public sector through the publication of key data sets, which in turn will strengthen accountability to citizens. To date, it has been announced that local authorities are required or expected to publish online data relating to:

- employees and remuneration of senior management;
- details of expenditure over £500; and
- performance.

Middlesbrough Council is committed to the Transparency agenda and has developed an "open data" page on it's website allowing easy access for the public. This page signposts the data which is currently published on other areas of the website and will hold all new data releases that are required by the government when they become available.

Core Principle 5 – Developing the capacity of members and officers to be effective:
The Council needs people with the right skills to direct and control staff. The Council needs to draw on the largest possible pool of potential members to recruit people with the necessary skills. The Council's learning and development needs are met through training, e-learning and other methods delivered in accordance with the Middlesbrough Council People Strategy to ensure members and employees have the necessary skills and knowledge to be effective in carrying out their responsibilities.

The People Strategy links the Council's vision, values and priorities with national and regional challenges. It has been developed to ensure that the workforce and members are fit for the future, well equipped to shape the town and able to deliver excellent services to the people of Middlesbrough. The People Strategy is comprised of three separate documents:

- Part One – the People Strategy
- Part Two – the Corporate Workforce Plan and Corporate Workforce Learning & Development Plan
- Part Three – the Workforce Profile – Annual Report

The Annual Workforce Monitoring Report forms Part Three of the People Strategy. The latest report published in 2010/2011 covers the period 1st April 2009 to 31st March 2010 and provides information and analysis about the people who are employed by Middlesbrough Council, and those who apply to work with the Council. The report is designed to assist the Council and its Departments in its workforce planning activities.

This report provides data to help understand the effectiveness of our policies in promoting equality, by analysing the data we will better understand how effective they have been and enable us to plan future actions. The report also includes some information on the population available to work in the area, which may affect the workforce available to the Council

Core Principle 6 – Engaging with local people and stakeholders
The Council is committed to engaging with its citizens. Community participation and engagement is essential to secure sustainable improvement in public services and to engage citizens in the public decision making processes that affect their lives. There is a range of consultation and engagement mechanisms to identify local people's views and priorities, from Community Councils and Neighbourhood Forums to regular and comprehensive surveys. The Council is responsive to local views and is particularly sensitive to the needs of vulnerable people. Planning recognises local needs in more disadvantaged areas. There are Neighbourhood Action Plans for the 13 most deprived areas, based on the needs of each area and produced through Neighbourhood Management Steering Groups.

The Community Consultation Strategy
The Community Consultation Strategy outlines the way the Council consults and engages with the local community and citizens in making decisions that affect their lives, consistent with Central Government and Council objectives and professional and ethical standards.

The Community Engagement Framework & Consultation Toolkit
The Community Engagement Framework and Consultation Toolkit documents provide the overarching framework for community engagement in Middlesbrough together with a best practice guide. The framework and toolkit helps partnership organisations including the Council to effectively engage with the community

Budget Consultation
The Council undertakes extentensive consultation with appropriate stakeholders in relation to the Budget Strategy, the Medium Term Financial Plan, proposed budget reductions and the draft Revenue Budget. The consultation included, Members, the Business Sector, Youth Council, Voluntary Sector, Local Strategic Partners, Middlesbrough Residents, Unions and Senior Managers across all services within the Council.

REVIEW OF EFFECTIVENESS

Middlesbrough Council
Middlesbrough Council has responsibility for conducting, at least annually, a review of the effectiveness of the corporate governance arrangements and the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of Internal Audit and the statutory officers within the authority who have a responsibility for the development and maintenance of the internal control environment, and also by comments made by our external auditors and other review agencies and inspectorates. In determining the effectiveness of the system of internal control review activities have been undertaken by a number of parties. These include:

- The authority
- Statutory officers
- The scrutiny panel process
- Internal Audit
- External audit
- Other inspection and review agents
- The Executive
- The Audit and Governance committee
- The Standards committee

For the year under consideration, the key internal assurance work has been provided through Internal Audit as reported earlier in the statement.

Section 2: Corporate Governance Statement

The Council has a Corporate Governance Team comprising: The Director of Legal & Democratic Services, Deputy Director of Strategic Resources, Assistant Chief Executive, Internal Audit Manager, Insurance Manager, Risk Management Officer and Senior Corporate Performance Officer. The Team is responsible for managing the process by which the annual review of corporate governance is conducted. The audit committee is responsible for reviewing the findings of the draft Governance Statement and advising the Council on matters it wishes to draw to the Council's attention.

All Service Directors and Heads of Service participate in the annul review of Corporate Governance by completing a service assurance statement. Where areas for improvement have been identified within services, Heads of Service have a duty to ensure the improvement action plans are acted upon.

Partnerships
A review of the Council's partnership arrangements was undertaken using the CIPFA partnership matrix to identify which are key to its operation, and which minor. The key partnerships for Middlesbrough Council are identified as:

Contractual

- Mouchel – Service Middlesbrough
- Housing Partnerships, e.g. Fabrik

Strategic

- Local Strategic Partnership (LSP)
- Children's Trust
- Youth Justice Board (YJB)
- Tees Valley Unlimited (TVU)
- Safer Middlesbrough Partnership
- Joint Emergency Planning Unit

Partnerships delivering major projects

- Stockton/Middlesbrough Initiative
- Middlehaven Regeneration Project

Delivery Partners

- Bus Partnership, Tees Valley Bus Network & Tees Valley Metro
- Middlesbrough Environment City
- Tees Community Equipment Service
- Healthy Towns Initiative

The involvement of Members and officers varies, as does the operational, monitoring and reporting arrangements, which are different for each type of partnership. The assurance arrangements are robust for all of the partnerships.

Section 2: Corporate Governance Statement

External Reviews
The following external organisations have undertaken reviews in 2010/2011 of specific Council services

- Deloittes – Annual Audit
- DWP Annual benefit review
- Benefits ISO 9000/2000 Assessment
- Council Tax ISO 9000/2000 Assessment
- Customer Excellence Award for Benefits
- Education - Annual Performance Assessment (OFSTED & CSCI)
- Private Fostering Inspection (OFSTED)
- Adoption Inspection (OFSTED)
- OFSTED Safeguarding Inspection
- Pupil Referral Unit (OFSTED)
- Tees Valley Museum Review (MLA)
- CQC Annual Assessment

None of the reviews identified any significant areas of concern, however, the relevant service departments will be implementing the action plans resulting from the reviews over 2011/2012.

The following major reviews are due during 2011/12:

- Deloittes – Annual audit
- Customer Service Excellence award for revenues
- DWP Annual benefit review
- Benefits ISO 9000/2000 assessment
- Customer Service Excellence award for benefits
- Announced Safeguarding Inspection (Ofsted)
- Private Fostering (Ofsted)
- Annual Performance Assessment (Ofsted)
- Unannounced Safeguarding Inspection (Ofsted)
- Ashdale PRU (Ofsted)

Matters raised by our external auditors have been addressed as they have arisen during the course of the year. The advice will be reflected in the Audit and Inspection letter, which will be issued during 2011/12.

SIGNIFICANT GOVERNANCE ISSUES
The Internal Control environment has highlighted, at the end of 2010/2011, a number of areas of concern requiring improvement and / or careful monitoring. CIPFA guidance on the definition of a "significant internal control issue" (in relation to the Accounts & Audit Regulations 2003) has been used to identify appropriate issues for inclusion within this statement

Section 2: Corporate Governance Statement

2009/2010 Areas requiring Improvements	Action Taken in 2010/2011
Purchase of Swan Boats and coin operated Toy Tractors There were significant gaps in the appraisal and approval processes for these items of capital equipment.	1. Managers have been reminded of the approval process required for the utilisation of savings within a service 2. Service management team now approve all proposals to purchase capital equipment; 3. Funding for capital equipment is identified and agreed upfront.
Procurement of building work at selected Middlesbrough Schools Internal Audit identified significant issues in the process and procedures being followed in a number of schools.	1. All schools have been informed that external building management providers appointed by the school cannot also undertake building work; 2. All external building management providers are now required to complete a declaration of interests and declaration of non-collusive procurement; 3. All schools have been informed that where an external building management provider is appointed and quotations for building work are obtained that the Council's procurement rules and procedures are followed; 4. When working for the Council all external building management providers are required to comply with the Council's terms and conditions.
Management of Tied Accommodation Internal Audit identified weaknesses in the management of "Tied" accommodation linked to employment across the Council.	1. Officer group established to review Council's policy and use of tied Accommodation; 2. The Valuer's Asset Register has been updated to show all tied accommodation; 3. Tenancy agreements are being reviewed by legal services;

The following control issues requiring attention were also identified during 2010/2011, but a number of the actions will not be fully implemented until 2011/12

2010/2011 Areas requiring Improvements	Action Taken /planned 2010/2011 and 2011/2012
Direct Payments: Internal audit identified weaknesses in the key administration and management processes within Safeguarding in the Children Families & Learning service.	1. Direct Payments guidance to be updated by the section manager. 2. Monitoring of Direct payments expenditure to be undertaken by the service. 3. Recovery of surpluses procedures to be updated and implemented by the manager. 4. Direct Payments administration procedures to be improved. Improved checking by the section manager.

Section 2: Corporate Governance Statement

SUMMARY OF EFFECTIVENESS

	2009/2010 Score %	2010/2011 Score %	Comments
Core Principle 1: Focussing on the Council's purpose and on outcomes for its citizens and creating and implementing a vision for the area.	**97**	**94**	Vision for Council to be revised post 2011 election. Decision made not to produce an annual report for 2010/2011
Core Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.	**97**	**100**	Re-election of Mayor provides a strong base for the working relationship with the Chief Executive.
Core Principle 3: Promoting high standards of conduct and behaviour across the Council.	**88**	**93**	Improvement in standards of conduct & personal behaviour – Mayor's Citizens code. Increased use of Equality impact assessments
Core Principle 4: Making transparent decisions which are subject to scrutiny and risk management.	**95**	**98**	The Audit & Governance Committee is now externally viewed as effective. The complaints procedure is both internally and externally assessed as robust.
Core Principle 5: Developing the capacity of members and officers to be effective.	**97**	**97**	Workforce development strategy is to be reviewed in 2011/2012
Core Principle 6: Engaging with local people and stakeholders	**88**	**94**	Improved use of website and social networking sites to reach specific sections of the Community. Data Transparency demonstrates openness and accessibility

[illegible]	51 to 90%	91 to 100%
Weak –Need to improve	**Fit for Purpose**	**Excellent**

Section 3: Statement of Responsibilities

The Authority's responsibilities

The authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Strategic Resources
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the statement of accounts

The Director of Strategic Resource's responsibilities

The Director of Strategic Resources is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

In preparing the statement of accounts, the Director of Strategic Resources has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority SORP

The Director of Strategic Resources has also;

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities

Certificate

I certify that the statement of accounts present a true and fair view of the financial position of the authority at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

Paul Slocombe P A. [signature]
Director of Strategic Resources:
Date 29th June 2011

Councillor G.B. Clarke
Chair, Corporate Affairs Committee:
Date th September 2011

Section 2: Corporate Governance Statement

Officer and Member Review

On the basis of the self-audit processes and effectiveness reviews carried out to date, we are satisfied that, except for the areas of concern listed above, the Council's corporate governance procedures, including the systems of internal control, are adequate and are operating effectively.

We are satisfied that the Council's management arrangements, supplemented by the continued officer and Member involvement in the corporate governance processes, will address the required improvement and continue to review their development and effectiveness on an ongoing basis.

Signed:

....

(Mayor)

....

(Chief Executive)

....

(Director of Strategic Resources)

Section 3: Statement of Responsibilities

Independent auditor's report to the Members of Middlesbrough Council Opinion on the Authority accounting statements

We have audited the Authority accounting statements and related notes of Middlesbrough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The Authority accounting statements comprise the Authority Comprehensive Income and Expenditure Statement, the Authority Movement in Reserves Statement, the Authority Balance Sheet, the Authority, the Authority Cash Flow Statement, the related Authority notes 1 to 51, and the Collection Fund and its related notes 1 to 7. The Authority accounting statements have been prepared under the accounting policies set out in the Accounting Policies - note 1.

This report is made solely to the members of Middlesbrough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Responsible Financial Officer and Auditor

The Responsible Financial Officer's responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2010: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts. Our responsibility is to audit the Authority accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2010: A Statement of Recommended Practice of:

- the financial position of the Authority and its income and expenditure for the year.

Section 3: Statement of Responsibilities

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government - A Framework published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the accounting statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the Authority's accounting statements and related notes as described in the contents section and consider whether it is consistent with the audited Authority's accounting statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the accounts and disclosures in the Authority accounting statements and related notes. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the Authority accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Authority accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Authority accounting statements and related notes.

Opinion
In our opinion:

- the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2011: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2011 and its income and expenditure for the year then ended.

Section 3: Statement of Responsibilities

Opinion on the pension fund accounting statements

We have audited the pension fund accounting statements for the year ended 31 March 2011 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 24. The pension fund accounting statements have been prepared under the accounting policies set out in the Accounting Policies note.

This report is made solely to the members of Middlesbrough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Responsible Financial Officer and Auditor

The Responsible Financial Officer's responsibilities for preparing the pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2010: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts. Our responsibility is to audit the pension fund accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2010: A Statement of Recommended Practice, of the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

We read other information published with the pension fund accounting statements and related notes as described in the contents section and consider whether it is consistent with the audited pension fund accounting statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund accounting statements and related notes. Our responsibilities do not extend to any other information.

Section 3: Statement of Responsibilities

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the accounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the pension fund accounting statements and related notes.

Opinion

In our opinion the pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March 2011, and the account and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to the criteria for principal local authorities specified by the Audit Commission and published in

May 2008 and updated in October 2009. We report if significant matters have come to our attention, which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, we are satisfied that, in all significant respects, Middlesbrough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

David Wilkinson
for and on behalf of Deloitte LLP
Appointed Auditor
Newcastle upon Tyne, United Kingdom
**th September 2011

Comprehensive Income and Expenditure Statement

2009/10 Gross Exp. £000s	2009/10 Gross Income £000s	2009/10 Net Exp. £000s		Note	2010/11 Gross Exp. £000s	2010/11 Gross Income £000s	2010/11 Net Exp. £000s
20,381	18,175	2,206	Central Services to the public		20,990	19,295	1,695
68,543	21,796	46,747	Cultural, Environmental, Regulatory and Planning services		71,484	26,348	45,136
172,856	129,435	43,421	Education and Children's services		219,960	169,133	50,827
22,023	6,867	15,156	Highways and Transport services		31,090	15,547	15,543
59,319	70,144	(10,825)	Other housing services		77,293	73,814	3,479
77,383	31,201	46,182	Adult Social Care		79,732	27,684	52,048
3,437	201	3,236	Corporate and Democratic Core		3,709	58	3,651
1,098	2	1,096	Non Distributed Costs		(49,403)	0	(49,403)
425,040	**277,821**	**147,219**	**Cost Of Services**		**454,855**	**331,879**	**122,976**
9	**0**	**9**	**Other Operating Expenditure**	**10**	**13,814**	**0**	**13,814**
33,803	**24,956**	**8,847**	**Financing and Investment Income and Expenditure**	**11**	**58,239**	**43,372**	**14,867**
0	**210,570**	**(210,570)**	**Taxation and Non-Specific Grant Income**	**12**	**0**	**210,809**	**(210,809)**
		(54,495)	**(Surplus) or Deficit on Provision of Services**				**(59,152)**

2009/10 Gross Exp.	Gross Income	Net Exp.		Note	2010/11 Gross Exp.	Gross Income	Net Exp.
		(24,524)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets				(16,972)
		275	(Surplus) or deficit on revaluation of Long Term Investment				0
		3,738	(Gains)/losses on Capital Movements				0
		92,983	Actuarial (gains) / losses on pension assets / liabilities				(66,619)
		72,472	**Other Comprehensive Income and Expenditure**				**(83,591)**
		17,977	**Total Comprehensive Income and Expenditure**				**(142,743)**

Balance Sheet

1st April 2009 £000s	31st March 2010 £000s		Notes	31st March 2011 £000s
513,200	561,897	Property, Plant & Equipment	13	589,275
36,623	61,140	Investment Property	14	55,979
1,299	1,393	Intangible Assets	15	1,154
0	0	Assets Held for Sale		0
6,470	3,692	Long Term Investments	50	673
1,072	1,095	Long Term Debtors	51	1,061
558,664	**629,217**	**Long Term Assets**		**648,142**
40,318	21,020	Short Term Investments		25,580
313	1,300	Assets held for sale	20	1,458
2,606	2,355	Inventories	17	2,278
44,403	38,899	Short Term Debtors	18	37,325
1	2	Intangible Current Assets		1
7,380	20,950	Cash and Cash Equivalents	19	20,848
95,021	**84,526**	**Current Assets**		**87,490**
0	0	Short Term Borrowing		5,000
43,620	48,501	Short Term Creditors	21	43,934
1,540	759	Provisions	22	1,611
45,160	**49,260**	**Current Liabilities**		**50,545**
		Long Term Creditors		
3,691	3,319	Provisions	22	2,734
100,511	80,381	Long Term Borrowing	16	75,363
97,164	192,957	Pension Liability	43	79,096
2,063	668	Other Long Term Liabilities		582
4,550	4,589	Capital Grants Receipts in Advance	36	2,000
207,979	**281,914**	**Long Term Liabilities**		**159,775**
400,546	**382,569**	**Net Assets**		**525,312**
51,749	59,146	Usable reserves	23	74,606
348,797	323,423	Unusable Reserves	24	450,706
400,546	**382,569**	**Total Reserves**		**525,312**

Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2009	(5,539)	(26,457)	(11,462)	(8,291)	(51,749)	(348,797)	(400,546)
Movements in Reserves during 2009/10							
(Surplus) or deficit on provision of services (accounting basis)	(54,495)	0	0	0	(54,495)	0	(54,495)
Other Comprehensive Income and Expenditure	0	275	0	0	275	72,197	72,472
Total Comprehensive Income and Expenditure	(54,495)	275	0	0	(54,220)	72,197	17,977
Adjustments between accounting basis & funding basis under regulations (note 8)	55,709	(142)	1,164	(9,908)	46,823	(46,823)	0
Net increase/decrease before Transfers to earmarked reserves	1,214	133	1,164	(9,908)	(7,397)	25,374	17,977
Transfers to / from Earmarked Reserves (note 9)	(1,396)	1,396	0	0	0	0	0
Increase / Decrease in 2009/10	(182)	1,529	1,164	(9,908)	(7,397)	25,374	17,977
Balance at 31 March 2010 carried forward	(5,721)	(24,928)	(10,298)	(18,199)	(59,146)	(323,423)	(382,569)
Movements in Reserves during 2010/11							
Surplus or (deficit) on provision of services (accounting basis)	(59,152)	0	0	0	(59,152)	0	(59,152)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(83,591)	(83,591)
Total Comprehensive Income and Expenditure	(59,152)	0	0	0	(59,152)	(83,591)	(142,743)
Adjustments between accounting basis & funding basis under regulations (note 8)	58,786	0	(2,138)	(12,956)	43,692	(43,692)	0
Net increase/decrease before Transfers to earmarked reserves	(366)	0	(2,138)	(12,956)	(15,460)	(127,283)	(142,743)
Transfers to / from Earmarked Reserves (note 9)	948	(948)	0	0	0	0	0
Increase / Decrease in 2010/11	582	(948)	(2,138)	(12,956)	(15,460)	(127,283)	(142,743)
Balance at 31 March 2011 carried forward	(5,139)	(25,876)	(12,436)	(31,155)	(74,606)	(450,706)	(525,312)

Cash Flow Statement

2009/10 £'000		Note	2010/11 £'000
(9,503)	**Operating Activities**	25	**(6,805)**
(31,032)	**Investing Activities**	26	**3,214**
26,965	**Financing Activities**	27	**3,693**
(13,570)	**Net increase or decrease in cash and cash equivalents**		**102**
7,380	Cash and cash equivalents at the beginning of the reporting period		20,950
20,950	**Cash and cash equivalents at the end of the reporting period**		**20,848**

Notes to the Accounts

1 Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, which these regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are issued to services - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents
Cash and Cash equivalents are represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iv. Exceptional Items
When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors
Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi. Charges to Revenue for Non-Current Assets
Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by services where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution (Minimum

Revenue Provision) in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. flexi-time) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Authority are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department of Education (DfE)
- The Local Government Pension Scheme, administered by Middlesbrough Council

Both Schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefit scheme:

- The liabilities of the Teesside Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.
- The assets of the Teesside Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price
  - unquoted securities - professional estimate
  - unitised securities - current bid price
  - property - market value.
- The change in the net pensions liability is analysed into seven components:
  - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets - the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- gains or losses on settlements and curtailments - the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve
- contributions paid to the pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits
The Authority has also restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

viii. Events After the Balance Sheet Date
Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ix. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount was receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets - assets that have a quoted marked price and/or do not have fixed or determinable payments.

Loans and Receivables
Loans and receivables are recognised on the Balance Sheet when the Authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Authority can make loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded on the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year - the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement of Reserves Statement. At present the Authority has not entered into any such arrangement.

Where assets are identified as impaired because of a likelihood arising from a past event payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (if the receivable is service specific) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the assets original effective interest rate.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available for Sale Assets
Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable

are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g., dividends) is credited to the Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices - the market price
- other instruments with fixed and determinable payments - discounted cash flow analysis
- equity shares with no quoted market prices - independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Surplus or Deficit on the Revaluation of Available-for-sale Financial Assets. The exception is where impairment losses have been incurred - these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments), or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Instruments Entered into Before 1 April 2006

The Authority entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

x. Government Grants and Contributions
Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with conditions attached to the payments, and
- the grants or contributions will be received

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant of contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area Based Grant
Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

xi. Intangible Assets
Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Expenditure on the development of websites is not capitalised because the website is intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this

criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the Information Communication & Technology Service, the cost of which is then apportioned to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there an indication that the asset might be impaired - any losses recognised are posted to the Information Communication & Technology Service. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Amortisation, impairment losses and disposal gains and losses on Intangible Assets are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £5,000) the Capital Receipts Reserve.

xii. Inventories

With the exception of the Authority's trading undertakings, inventories are valued at the lower of actual cost or net realisable. Stocks in trading undertakings are valued at the last notified price (i.e., current cost). Work in progress in trading undertakings is valued at sale value. The following bases have been used for arriving at cost values : Average Cost; Original Cost; Selling price less estimated profit margin. Where stocks have been identified as being of no further use to the Council and the appropriate procedures have been complied with, the obsolete stock has been written off, otherwise an allowance has been made for obsolescence.

xiii. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services, the production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment applies to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £5,000) the Capital Receipts Reserve.

xiv. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Operating Leases
Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xv. Overheads and Support Services
The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the *CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP)*. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Authority's status as a multifunctional, democratic organisation
- Non Distributed Costs - the costs of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Net Expenditure on Continuing Services. The basis of allocation used for the main costs of management and administration is outlined below:

Description	**Basis of Allocation**
Accountancy	Time apportionment
Debtors	Invoices raised
Payroll	Payslips
Legal	Time apportionment
Human Resources	Staff
Democratic Processes	Attendanc
Administrative Buildings	Area
Information & Communication Technology	Number of PCs/direct Charges
Architectural/Engineering	Professional fee scales/Time spent

xvi. Property, Plant and Equipment
Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

In accounting for fixed asset acquisitions, a de minimis level of £5,000 is set and where capital expenditure is de minimis, this is charged direct to services.

Measurement
Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction - depreciated historical cost
- all other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated using opening balances on the following bases:

- Buildings - straight-line allocation over the useful life of the property as estimated by the valuer (40 - 50 years)
- vehicles, plant, furniture and equipment - straight-line allocation over the useful life of the plant/machinery (3 - 15 years)
- infrastructure - straight line allocation over the life of the asset (5 - 40 years)

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The receipt is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement)]. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xvii. Interests in Companies and Other Entities

The Authority has interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities, however, these interests are immaterial and the authority is not required to prepare group accounts. In the Authority's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

xviii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Details of each provision are included with-in the notes to the Financial Statements.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xix. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority - these reserves are explained in the relevant policies.

xx. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

xxi. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

xxii. Self insured Risks

The Council has created an internal insurance fund to cover its liability in respect of the risks from fire damage, employers and public liability, motor vehicles, cash in transit and personal accident claims enquiries. The balances on the fund are reviewed biannually with surpluses transferring to general reserves and deficits being funded from increased premiums in the following financial year. In addition a separate internal insurance fund exists to cover remaining liabilities of the former Cleveland County Council. The risks to the two funds are reviewed on an annual basis.

2 Correction of 2009/10 Material Mis-statements

During the 2010/11 Closure of Accounts three material mis-statements were identified in the 2009/10 accounts.

- Teesside Law Courts were identified as being included as a fixed asset of the Authority, however the ownership of this building has been transferred to the Lord Chancellor's Office.
- £1.2m of Adopted Roads should have been included with-in the Balance Sheet (Infrastructure Assets), however these assets were omitted.
- A capital grant payment (£2.6m) was incorrectly treated as capital expenditure and recorded within the Balance Sheet as Infrastructure assets.

The Authority has since reviewed its final accounts systems and processes and has made appropriate changes and introduced additional internal controls to ensure such events are unlikely to reoccur. However this has meant that at 31 March 2010 the Authority has overstated its net assets by £17.8m. In order to adjust these mis-statements, the appropriate sections of the Balance Sheet has been restated.

Balance Sheet at 1 April 2009

	Originally Stated £000	Restated £000	Amount of Re - statement £000
Property, Plant & Equipment	542,012	525,491	(16,521)
Net Assets	**246,429**	**229,908**	**(16,521)**
Capital Adjustment Account	237,652	221,131	(16,521)
Total Reserves	**246,429**	**229,908**	**(16,521)**

Balance Sheet at 31 March 2010

	Originally Stated £000	Restated £000	Amount of Re - statement £000
Property, Plant & Equipment	597,982	580,199	(17,783)
Net Assets	**170,723**	**152,940**	**(17,783)**
Capital Adjustment Account	235,489	217,706	(17,783)
Total Reserves	**170,723**	**152,940**	**(17,783)**

3 Impact of the Adoption of International Financial Reporting Standards

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various

balances and transactions, with the result that some amounts presented in the 2010/11 Statement of Accounts are different from the equivalent figures presented in the 2009/10 Statement of Accounts.

The following tables explain the differences between the amounts presented in the 2009/10 Statement of Accounts and the equivalent amounts presented in the 2010/11 Statement of Accounts.

Reconciliation of Net Worth reported under previous GAAP to Net Worth under IFRS at the date of transition to IFRS (1st April 2009)

	Previous GAAP (restated) £000	Asset Reclassification £000	Grants £000	Leasing £000	Other £000	IFRS £000
Property, Plant & Equipment	525,491	(13,708)	0	1,417	0	513,200
Investment Property	23,265	13,358	0	0	0	36,623
Intangible Assets	584	0	0	715	0	1,299
Assets Held for Sale	0	0	0	0	0	0
Long Term Investments	6,470	0	0	0	0	6,470
Long Term Debtors	1,072	0	0	0	0	1,072
Long Term Assets	**556,882**	**(350)**	**0**	**2,132**	**0**	**558,664**
Short Term Investments	43,818	0	0	0	(3,500)	40,318
Assets held for sale	0	313	0	0	0	313
Inventories	2,606	0	0	0	0	2,606
Short Term Debtors	44,403	0	0	0	0	44,403
Intangible Current Assets	1	0	0	0	0	1
Cash and Cash Equivalents	3,880	0	0	0	3,500	7,380
Current Assets	**94,708**	**313**	**0**	**0**	**0**	**95,021**
Short Term Creditors	45,648		(6,216)		2,310	41,742
Provisions	0				1,540	1,540
Current Liabilities	**45,648**	**0**	**(6,216)**	**0**	**3,850**	**43,282**
Provisions	5,231	0	0	0	(1,540)	3,691
Government Grants Deferred	156,705	0	(156,705)	0	0	0
Long Term Borrowing	100,511	0	0	0	0	100,511
Pensions Liability	97,164	0	0	0	0	97,164
Other Long Term Liabilities	319	0	0	3,622	0	3,941
Unapplied Capital Resources	16,104	0	(16,104)	0	0	0
Capital Grants Receipts in Advance	0	0	4,550	0	0	4,550
Long Term Liabilities	**376,034**	**0**	**(168,259)**	**3,622**	**(1,540)**	**209,857**
Net Assets	**229,908**	**(37)**	**174,475**	**(1,490)**	**(2,310)**	**400,546**

	Previous GAAP (restated) £000	Asset Reclassification £000	Grants £000	Leasing £000	Other £000	IFRS £000
Represented by						
Capital Grants Unapplied Account	0	0	8,291	0	0	8,291
Usable Capital Receipts Reserve	11,462	0	0	0	0	11,462
General Fund Balance	5,539	0	0	0	0	5,539
Earmarked Reserves	16,978	0	9,479	0	0	26,457
Usable reserves	33,979	0	17,770	0	0	51,749
Revaluation Reserve	71,977	(5,349)	0	0	0	66,628
Capital Adjustment Account	221,131	5,312	156,705	(1,490)	0	381,658
Collection Fund Adjustment Account	(84)	0	0	0	0	(84)
Deferred Capital Receipts	69	0	0	0	0	69
Accumulated Absences Account	0	0	0	0	(2,310)	(2,310)
Pensions Reserve	(97,164)	0	0	0	0	(97,164)
Unusable Reserves	**195,929**	(37)	**156,705**	**(1,490)**	**(2,310)**	**348,797**
Total Reserves	**229,908**	(37)	**174,475**	**(1,490)**	**(2,310)**	**400,546**

Reconciliation of Net Worth reported under previous GAAP to Net Worth under IFRS at the end of the latest period presented in the most recent Financial Statements (31 March 2010)

	Previous GAAP (restated) £000	Asset Reclassification £000	Grants £000	Leasing £000	Other £000	IFRS £000
Property, Plant & Equipment	580,199	(19,233)	0	929	0	561,895
Investment Property	43,207	17,933	0		0	61,140
Intangible Assets	803	0	0	590	0	1,393
Assets Held for Sale	0	0	0	0	0	0
Long Term Investments	3,692	0	0	0	0	3,692
Long Term Debtors	1,095	0	0	0		1,095
Long Term Assets	**628,996**	**(1,300)**	**0**	**1,519**	**0**	**629,215**
Short Term Investments	38,421	0	0	0	(17,400)	21,021
Assets held for sale	0	1,300	0	0	0	1,300
Inventories	2,355	0	0	0	0	2,355
Short Term Debtors	38,282	0	0	0	0	38,282
Intangible Current Assets	2	0	0	0	0	2
Cash and Cash Equivalents	4,167	0	0	0	17,400	21,567
Current Assets	83,227	1,300	0	0	0	84,527
Short Term Creditors	53,777	0	(9,799)	0	2,809	46,787
Provisions	0	0	0	0	759	759
Current Liabilities	53,777	0	(9,799)	0	3,568	47,546
Provisions	4,078	0	0	0	(759)	3,319
Government Grants Deferred	203,966	0	(203,966)	0	0	0
Long Term Borrowing	80,381	0	0	0	0	80,381
Pensions Liability	192,957	0	0	0	0	192,957
Other Long Term Liabilities	373	0	0	2,008	0	2,381
Unapplied Capital Resources	23,751	0	(23,751)	0	0	0
Capital Grants Receipts in Advance	0	0	4,589	0	0	4,589
Long Term Liabilities	505,506	0	(223,128)	2,008	(759)	283,627
Net Assets	152,940	0	232,927	(489)	(2,809)	382,569

Represented by	Previous GAAP (restated) £000	Asset Reclassification £000	Grants £000	Leasing £000	Other £000	IFRS £000
Capital Grants Unapplied Account	0	0	15,872	0	0	15,872
Usable Capital Receipts Reserve	10,298	0	0	0	0	10,298
General Fund Balance	5,721	0	0	0	0	5,721
Earmarked Reserves	14,166	0	13,089	0	0	27,255
Usable reserves	**30,185**	**0**	**28,961**	**0**	**0**	**59,146**
Revaluation Reserve	98,160	(10,119)	0	0	0	88,041
Capital Adjustment Account	217,706	10,119	203,966	(489)	0	431,302
Collection Fund Adjustment Account	(208)	0	0	0	0	(208)
Deferred Capital Receipts	54	0	0	0	0	54
Accumulated Absences Account	0	0	0	0	(2,809)	(2,809)
Pensions Reserve	(192,957)	0	0	0	0	(192,957)
Unusable Reserves	**122,755**	**0**	**203,966**	**(489)**	**(2,809)**	**323,423**
Total Reserves	**152,940**	**0**	**232,927**	**(489)**	**(2,809)**	**382,569**

Reconciliation to Total Comprehensive Income & Expenditure under IFRS for the latest period presented in the most recent Financial Statements (year ended 31 March 2010)

	Previous GAAP (restated) £000	Asset Reclassification £000	Grants £000	Leasing £000	Other £000	IFRS £000
Net expenditure of Continuing operations						
Central Services to the public	2,349	0	0	(143)	0	2,206
Cultural, Environmental, Regulatory and Planning services	50,049	(271)	(2,766)	(265)	0	46,747
Education and Children's services	40,650	0	2,592	(320)	499	43,421
Highways and Transport services	14,180	0	1,025	(49)	0	15,156
Other housing services	(10,702)	(62)	0	(61)	0	(10,825)
Adult Social Care	45,673	0	767	(258)	0	46,182
Corporate and Democratic Core	3,394	0	(158)	0	0	3,236
Non Distributed Costs	1,096	0	0	0	0	1,096
Cost Of Services	**146,689**	**(333)**	**1,460**	**(1,096)**	**499**	**147,219**
Other Operating Expenditure	9	0	0	0	0	9
Financing and Investment Income and Expenditure	13,227	(4,475)	0	95	0	8,847
Taxation and Non-Specific Grant Income	(151,920)	0	(58,650)	0	0	(210,570)
(Surplus) or Deficit on Provision of Services	**8,005**	**(4,808)**	**(57,190)**	**(1,001)**	**499**	**(54,495)**

	Previous GAAP (restated) £000	Asset Reclassification £000	Grants £000	Leasing £000	Other £000	IFRS £000
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	(29,568)	5,044	0	0	0	(24,524)
(Surplus) or deficit on revaluation of Long Term Investment	275	0	0	0	0	275
(Gains)/losses on Capital Movements	4,011	(273)	0	0	0	3,738
Actuarial (gains) / losses on pension assets / liabilities	92,983	0	0	0	0	92,983
Other Compre-hensive Income and Expenditure	**67,701**	**4,771**	**0**	**0**	**0**	**72,472**
Total Compre-hensive Income and Expenditure	**75,706**	**(37)**	**(57,190)**	**(1,001)**	**499**	**17,977**

Asset Reclassification

Under the Code the definition for Investment Property is different to previous GAAP and a new asset category "Assets Held for Sale" has been introduced.

Investment Property

Under the Code the criteria for an asset to be classified as Investment Property is defined as "property (land and/or buildings or both) held solely to earn rentals or for capital appreciation or both". This compares to the criteria stipulated under GAAP "Land and/or buildings held for its investment potential, any rental being negotiated at arms length".

All assets previously classified as either Investment Property or Assets Held for Disposal have been re-evaluated against the Code's definition of Investment Property and reclassified as necessary.

The Code also requires that any change to the fair value of Investment Properties be recognised in the Comprehensive Income and Expenditure Statement rather than the Revaluation Reserve. Statutory Regulations require these entries to be reversed out of the General Fund Balance to the Capital Adjustment Account to ensure a nil impact on Council Tax.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- Approximately £17.9m of assets previously held as Surplus Assets Held for Disposal (Plant, Property and Equipment) have been reclassified as Investment Property
- the balance on the Revaluation Reserve relating to Investment Property has been transferred to the Capital Adjustment Account
- the Comprehensive Income and Expenditure Statement has been restated to include the effect of the change in fair value of Investment Property assets

Assets Held for Sale
The Code introduces a new category of assets "Assets Held for Sale". To qualify as an Asset Held for Sale the following strict criteria must be met:
- the asset must be available for immediate sale in its present condition
- the sale must be highly probable
- the asset must be actively marketed
- the sale should be expected to qualify for recognition as a completed sale within one year of the date of classification

All assets previously classified as Surplus Assets Held for Disposal have been reviewed to identify those assets meeting the criteria required for classification as Assets Held for Sale.

£1.3m of assets previously held as Surplus Assets Held for Disposal (Plant, Property and Equipment) have been reclassified as Assets Held for Sale.

Grants
The Code requires differing accounting treatment for both Capital and Revenue Grants.

Government Grants - Capital
Under the Code, grants and contributions for capital schemes are recognised as income when the grant conditions have been met. Previously, grants were held in a grants deferred account and recognised as income over the life of the asset which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:
- The balance on the Government Grants Deferred Account has been transferred to the Capital Adjustment Account in the balance sheet.
- The balance of the Unapplied Capital Resources account has been transferred to the Capital Grants Unapplied account or the Capital Grants Receipts in Advance account according to the stipulations attached to each grant.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

- the 2009/10 Comprehensive Income and Expenditure Statement has been restated to recognise £64m of Capital Grants in the Taxation and Non Specific Income line. Statutory requirements require these grants to be reversed out of the General Fund Balance to ensure nil impact on Council Tax. Capital Grants used to finance expenditure have been transferred to the Capital Adjustment Account, Capital Grants which will be used to finance future expenditure have been transferred to the Capital Grants unapplied account. Under previous arrangements Capital Grants were not been recognised in the Income and Expenditure Statement

Government Grants - Revenue

Under the Code, all revenue grants and contributions are recognised as income when the grant conditions have been met.

Previously, general grants, unringfenced grants and non specific grants were recognised as income in the financial year to which they related, however specific grants were held as Income in Advance (Creditors) and recognised as income when the grant was used to finance expenditure.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- Revenue Grants meeting the grant conditions in 2009/10 have been recognised in full in the Comprehensive Income and Expenditure Statement. Specific grants which were unspent by 31st March 2010 have been transferred to the reserves section of the balance sheet (Earmarked Reserves).

Leasing

The Code defines a lease as "an agreement that conveys to the lessee a right to use an asset for period of time in return for a series of payments". For accounting purposes leases are classified as finance leases or operating leases.

A finance lease transfers substantially all the risks and rewards incidental to ownership of the leased asset. All other leases are operating leases.

The Code introduces three main differences to previous GAAP accounting guidance:

- The Code introduces five primary and three secondary indicators/tests that demonstrate a lease should be accounted for a finance lease.
- property leases are accounted for as separate leases for land and buildings. Previously, each property lease was accounted for as a single lease.
- In addition to formal leases, the Code seeks to identify contractual and other arrangements which involve the provision of services using specific underlying assets and therefore are considered as containing a lease arrangement for these assets.

Statutory regulations have been introduced to ensure the annual charge to the General Fund (and thus Council Tax) will be unchanged.

As a consequence of adopting the accounting policy required by the Code, the Authority has changed its accounting treatment for leased vehicles, multi functional printing devices, wheeled bins and the Information Technology equipment provided for as part of the partnership agreement with Mouchel.

The financial statements have been amended as follows:

- The Authority has recognised these assets and a corresponding liability on its Balance Sheet
- The operating lease charge has been removed from the relevant service in the Comprehensive Income and Expenditure Statement
- A depreciation charge has been included in the relevant service in the Comprehensive Income and Expenditure Statement
- The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account, and the General Fund has been charged with the Minimum Revenue Provision
- The interest element of the lease payment is charged to the Financing and Investment income and expenditure line in the Comprehensive Income and Expenditure Statement

Other
There are other minor adjustments that are included to provide a complete analysis of the transition including Short Term Accumulating Absences, Cash Equivalents and Provisions.

Short term accumulating compensated absences
Short term accumulating absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result , the Authority is required to accrue for any annual leave earned but not taken at 31 March each year Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short term accumulating compensated absences has resulted in an additional charge in the Comprehensive Income and Expenditure Statement (reversed the Total Movement in Reserves Statement to ensure nil impact on Council Tax) and adjustments to the Short Term Creditors section and the Accumulated Absences Account in the Balance Sheet.

Cash and Cash equivalents

Under the Code, cash equivalents - "short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value" are presented in the Balance Sheet along with cash under the heading "Cash and Cash equivalents" and reported as cash flows in the Cash Flow Statement. Previously, cash equivalents were held as Investments on the Balance Sheet and were treated as liquid resources on the Cash Flow Statement.

As a consequence of adopting the accounting policy required by the Code, £17.4m of investments that were previously classified as Short Term Investments have been reclassified as Cash and Cash equivalents on the Balance Sheet dated 31 March 2010.

Provisions

Under the Code, provisions are to be presented on the Balance Sheet as either Long Term Liabilities or Current Liabilities based on the nature of the individual provision. Under previous guidance provisions were always presented under the Long Term Liabilities section of the Balance Sheet.

As a consequence of adopting the accounting policy required by the Code, £0.7m of provisions were reclassified from Long Term Liabilities to Current Liabilities on the Balance Sheet dated 31 March 2010.

4 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

5 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made

taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for property, plant and equipment would increase by £1.2m for every year that the useful lives have reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £12.29m. However, the assumptions interact in complex ways. During 2010/11 the Authority's actuaries advised that the net pensions liability had increased by £4.59m as a result of experience and decreased by £64.0m attributable to updating the assumptions

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

6 Material Items of Income and Expense

During the 2010/11 financial year, approximately £13m of assets were removed from the council's balance sheet relating to schools that have obtained foundation status.

Education and Children's Services revenue expenditure has increased by £48m between 2009/10 and 2010/11. This is mainly due to an increase in capital charges associated with the Building Schools for the Future programme (BSF). Income has increased by £40m mainly due to the receipt of grants relating to the BSF programme.

There was a net increase of £14.3m on Housing Services expenditure between 2009/10 and 2010/11.This relates to a reclassification between deferred charges and assets that resulted in a one-off reduction in capital charges in 2009/10.

Net expenditure on Adult Social care has increase by £6m. This reflects an increase in demand from service users and the fact that Supporting People grant is included as part of the council's Area Based Grant allocation from 2010/11 and is therefore excluded from the Social Care service line.

Changes to the actuarial valuation of pension liabilities have resulted in significant movements in the way these costs are reflected in the accounts. There is a £51.7m reduction between years on Non Distributed Costs but this is offset by compensating adjustments on the Movement in Reserves Statement.

7 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Resources on 15 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

8 Adjustments between accounting basis & funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010/11	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Adjustments involving the Capital Adjustment Account							
<u>Reversal of items debited or credited to the comprehensive Income and Expenditure Statement</u>							
Charges for depreciation and impairment of non current assets	(34,969)	0	0	0	**(34,969)**	**34,969**	**0**
Revaluation Losses on Property Plant and Equipment	(2,590)	0	0	0	**(2,590)**	**2,590**	**0**
Movements in the market value of Investment Properties	(6,750)	0	0	0	**(6,750)**	**6,750**	**0**
Amortisation of Intangible assets	(413)	0	0	0	**(413)**	**413**	**0**
Capital Grants and Contributions applied	70,190	0	0	0	**70,190**	**(70,190)**	**0**
Revenue expenditure funded from capital under statute	(24,837)	0	0	0	**(24,837)**	**24,837**	**0**
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	**0**	**0**	**0**
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Statutory provision for the financing of capital investment	6,094	0	0	0	**6,094**	**(6,094)**	**0**
Voluntary Provision for the financing of capital investment	593	0	0	0	**593**	**(593)**	**0**
Capital expenditure charged against the General Fund	1,428	0	0	0	**1,428**	**(1,428)**	**0**
Adjustments involving the Capital Grants Unapplied Account							
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	16,279	0	0	(16,279)	**0**	**0**	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	3,509	**3,509**	**(3,509)**	**0**

2010/11 (cont)	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Adjustments involving the Capital Receipts Reserve							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(13,803)	0	(349)	(186)	**(14,338)**	**14,338**	**0**
Use of capital receipts reserve to finance new capital expenditure	0	0	(1,783)	0	**(1,783)**	**1,783**	**0**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(6)	0	**(6)**	**6**	**0**
Adjustments involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	30,404	0	0	0	**30,404**	**(30,404)**	**0**
Employer's pension contributions and direct payments to pensioners payable in the year	16,838	0	0	0	**16,838**	**(16,838)**	**0**
Adjustments involving the Collection Fund Adjustment Account	0	0	0	0			
Amount by which Council Tax income credited to the Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	251	0	0	0	**251**	**(251)**	**0**
Adjustments involving the Accumulating Compensated Absences Adjustment Account	0	0	0	0	**0**	**0**	**0**
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	71	0	0	0	**71**	**(71)**	**0**
Total Adjustments between accounting basis & funding basis under regulations	**58,786**	**0**	**(2,138)**	**(12,956)**	**43,692**	**(43,692)**	**0**

2009/10	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Adjustments involving the Capital Adjustment Account							
Reversal of items debited or credited to the comprehensive Income and Expenditure Statement							
Charges for depreciation and impairment of non current assets	(13,814)	0	0	0	**(13,814)**	**13,814**	**0**
Revaluation Losses on Property Plant and Equipment	(9,443)	0	0	0	**(9,443)**	**9,443**	**0**
Movements in the market value of Investment Properties	2,711	0	0	0	**2,711**	**(2,711)**	**0**
Amortisation of Intangible assets	(128)	0	0	0	**(128)**	**128**	**0**
Capital Grants and Contributions applied	44,002	0	0	0	**44,002**	**(44,002)**	**0**
Revenue expenditure funded from capital under statute	6,247	0	0	0	**6,247**	**(6,247)**	**0**
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	**0**	**0**	**0**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Statutory provision for the financing of capital investment	5,887	0	0	0	**5,887**	**(5,887)**	**0**
Voluntary Provision for the financing of capital investment	644	0	0	0	**644**	**(644)**	**0**
Capital expenditure charged against the General Fund	2,040	(142)	0	0	**1,898**	**(1,898)**	**0**
Adjustments involving the Capital Grants Unapplied Account							
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	20,996	0	0	(20,996)	**0**	**0**	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	11,088	**11,088**	**(11,088)**	**0**
Adjustments involving the Capital Receipts Reserve							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	**0**	**0**	**0**
Use of capital receipts reserve to finance new capital expenditure	0	0	1,223	0	**1,223**	**(1,223)**	**0**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(59)	0	**(59)**	**59**	**0**

2009/10 (cont)	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Adjustments involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(19,088)	0	0	0	**(19,088)**	**19,088**	**0**
Employer's pension contributions and direct payments to pensioners payable in the year	16,278	0	0	0	**16,278**	**(16,278)**	**0**
Adjustments involving the Collection Fund Adjustment Account							
Amount by which Council Tax income credited to the Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(124)	0	0	0	**(124)**	**124**	**0**
Adjustments involving the Accumulating Compensated Absences Adjustment Account							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(499)	0	0	0	**(499)**	**499**	**0**
Total Adjustments between accounting basis & funding basis under regulations	**55,709**	**(142)**	**1,164**	**(9,908)**	**46,823**	**(46,823)**	**0**

9 Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11.

2010/11

	Balance at 1 April £000	Transfers In £000	Transfers Out £000	Balance at 31 March £000
School Reserves				
School Balances	**4,686**	445	0	**5,131**
Total School Reserves	**4,686**	**445**	**0**	**5,131**
Investment Reserves				
Durham Tees Valley Airport	**364**	0	0	**364**
SITA Tees Valley Ltd	**309**	0	0	**309**
Total Investment Reserves	**673**	**0**	**0**	**673**
Specific Revenue Reserves				
Insurance Fund (MBC)	**1,401**	2,802	(2,585)	**1,618**
Insurance Fund (CBC)	**897**	5	(68)	**834**
Accommodation Review	**21**	0	(21)	**0**
IT Development	**319**	0	0	**319**
Service Middlesbrough	**1,286**	0	(1,286)	**0**
Social Care & Vulnerable Children	**1,000**	500	0	**1,500**
Performance Reward Grant	**504**	0	(473)	**31**
European Grant Reserve	**128**	0	0	**128**
Initiatives Fund	**150**	0	(150)	**0**
Research and Development in Future Provision in Schools	**254**	0	(254)	**0**
Investment to Save/Change Programme	**1,302**	9,324	(5,488)	**5,138**
WNF and JIP Grants	**1,048**	1,373	(1,048)	**1,373**
Election cost Reserve	**70**	95	0	**165**
Multi Functional Devices Reserve	**9**	0	0	**9**
ABG Reserve	**281**	0	(244)	**37**
Middlehaven Commuted Sums	**137**	0	(137)	**0**
Revenue Grants Unapplied	**7,472**	4,187	(7,471)	**4,188**
DRF reserve	**3,290**	1,135	(1,427)	**2,998**
BSF ICT Reserve	**0**	511	0	**511**
Social Care Winter Pressures	**0**	520	0	**520**
Land Search Fee Reserve	**0**	34	0	**34**
DSG Central Expenditure	**0**	522	0	**522**
MIMA Asset Reserve	**0**	147	0	**147**
Total Specific Reserves	**19,569**	**21,155**	**(20,652)**	**20,072**
Total Revenue Reserves	**24,928**	**21,600**	**(20,652)**	**25,876**

2009/10 Comparatives

	Balance at 1 April £000	Transfers In £000	Transfers Out £000	Balance at 31 March £000
School Reserves				
School Balances	**4,826**	0	(140)	**4,686**
Total School Reserves	**4,826**	**0**	**(140)**	**4,686**
Investment Reserves				
Durham Tees Valley Airport	**639**	0	(275)	**364**
SITA Tees Valley Ltd	**309**	0	0	**309**
Total Investment Reserves	**948**	**0**	**(275)**	**673**
Specific Revenue Reserves				
Insurance Fund (MBC)	**1,450**	2,968	(3,017)	**1,401**
Insurance Fund (CBC)	**965**	27	(95)	**897**
DDA Access	**6**	0	(6)	**0**
TAD Centre Development	**7**	0	(7)	**0**
Accommodation Review	**30**	0	(9)	**21**
IT Development	**334**	0	(15)	**319**
Ayresome Industries	**74**	0	(74)	**0**
Service Middlesbrough	**1,028**	310	(52)	**1,286**
Social Care & Vulnerable Children	**1,168**	1,000	(1,168)	**1,000**
Performance Reward Grant	**960**	544	(1,000)	**504**
European Grant Reserve	**128**	0	0	**128**
Repairs and Maintenance	**19**	0	(19)	**0**
Enterprise Centre Sinking Fund	**4**	0	(4)	**0**
Initiatives Fund	**150**	0	0	**150**
Research and Development in Future Provision in Schools	**254**	0	0	**254**
Investment to Save/Change Programme	**3,492**	1,095	(3,285)	**1,302**
WNF and JIP Grants	**829**	797	(578)	**1,048**
VAT Reduction in Rate	**23**	0	(23)	**0**
Election cost Reserve	**35**	35	0	**70**
Multi Functional Devices Reserve	**48**	0	(39)	**9**
ABG Reserve	**200**	167	(86)	**281**
Middlehaven Commuted Sums	**0**	137	0	**137**
Revenue Grants Unapplied	**6,331**	7,471	(6,330)	**7,472**
DRF Reserve	**3,148**	142	0	**3,290**
Total Specific Reserves	**20,683**	**14,693**	**(15,807)**	**19,569**
Total Revenue Reserves	**26,457**	**14,693**	**(16,222)**	**24,928**

Reserves and Balances held by Schools
This reserve holds the accumulated balances and the differences between the school budget and actual expenditure incurred in 2010/2011 for all the Middlesbrough schools. In accordance with Government regulations and the Council's scheme of delegation for schools, these funds are carried forward and specifically earmarked for use by schools in future years.

Investment Reserves
More detail on the Council's investment in the following companies can be found in note 50.

Durham Tees Valley Airport
SITA Tees Valley Ltd - formerly Cleveland Waste Management

Insurance Fund
Middlesbrough Council set up an Insurance Fund from 1st April 1996 covering nearly all the authority's insurable risks with a limited amount of external cover or catastrophe or special risk incidents. The nature of the risks covered by the insurance reserve includes fidelity guarantee, personal accident, employers liability, fire, motor, marine, engineers, public liability, money and all risks.

Insurance fund (former CCC)
The Insurance Fund set up by Cleveland County Council to cover virtually all the insurable risks of that authority transferred to Middlesbrough Council as part of it's duties as designated authority. The fund is used to settle claims relating to incidents occurring before 1 April 1996 for which Cleveland County Council would have been liable. There is also a continuing liability transferred from Cleveland County Council for payments in respect of claims up to agreed excess levels for incidents prior to 28 February 1992 when the insurance arrangements for Cleveland County Council were changed. There is also a contingent liability in respect of claims above the agreed limits in the event that the assets of Municipal Mutual are ultimately inadequate to meet the full costs of claims.

Disability Discrimination Act 1995
The requirement under the Disability Discrimination Act (DDA) 1995 to make services accessible to the public came into effect on the 1 October 2004. The legislation relies on individuals or groups to bring cases before a tribunal. A reserve has been created as the Council may face significant risk dependant on the outcome of any tribunal decisions.

TAD Centre Development
A reserve has been made to cover the future developments of the Council's Training and Development (TAD) Centre including improvements to IT equipment alterations, and furniture. The work was completed during 2010/2011.

Accommodation Review
The Council has undertaken a review of accommodation across all services. The reserve is being used to fund the costs of implementing the improvements identified in the review. The work was completed during 2010/2011.

IT Development
Funding has been set aside to cover ongoing software development and training issues in relation to the SAP financial system and to fund the potential development of other financial systems.

Ayresome Industries
Ayresome Industries is a Council managed Sheltered Workshop. A reserve was created from the surplus generated by the workshop in 2005/2006 and 2006/2007 to cover downturns in demand and to provide future investment in the business. The Reserve was fully utilised during 2009/10

Service Middlesbrough
A reserve has been set up to cover the cost of future developments in relation to the Council's Strategic Partnership with Mouchel - Service Middlesbrough. The Council negotiated a five year contract extension with Mouchel, during which it was agreed that a number of staff would return to the Council. The reserve has been used to fund the change.

Social Care and Vulnerable Children
The demands on the budgets for vulnerable children and adults in care are difficult to forecast and a reserve has been created to cover pressures that the service need time to manage.

Performance Reward Grant
The Council was awarded 2nd Generation LPSA Performance Reward Grant totalling £1.92m by the DCLG in March 2009. Of this £960k (50%) was to be paid as a revenue grant. A Performance Improvement Programme was developed and implemented from 2009 to 2011.

European Grant Reserve
Funding has been set aside to fund the possible repayment of European grant.

Repairs and Maintenance
A reserve has been created to deal with the backlog of urgent repairs and maintenance work outstanding on the Council's property, which the corporate condition survey exercise identified. The work was completed during 2009/2010.

Enterprise Centre Sinking Fund
An investment fund has been created to carry out improvement works to empty units in the authority's Enterprise Centres, making it easier to re-let the empty units. The reserve was fully utilised during 2009/2010.

Initiatives Fund
A reserve has been created for future investment in schemes, which will be designed to make a clear difference across the borough. The reserve was transferred to the Change Programme in 2010/2011.

Developments in the future provision of schools
A reserve has been created to fund the future costs arising from developments in the provision of primary education across the borough. This change is driven by falling roles and a need to improve the quality of school buildings. The reserve was fully utilised during 2010/2011.

Invest to Save/Change Programme
A reserve has been set up to pay for the one off costs associated with implementing change within services including the funding of investment to save projects, early retirements / voluntary redundancies and altering the way services are commissioned.

WNF and JIP Grants
There is a carry forward of 10% of the unspent Working Neighbourhood Fund (WNF) grant. The unspent grant allocation has been carried forward to complete the programmes during the next financial year.

Election Costs Reserve
The reserve has been set up to cover the cost of postal ballots and other additional costs that are incurred by the Council when holding elections. Additional funding has been allocated to the Legal & Democratic Services revenue budget to cover the cost of an annual contribution to this reserve.

Multi Functional Devices (MFD) Reserve
Funding has been set aside to cover the costs of replacement of the current contract for combined printer, photocopier and fax machines.

Area Based Grants Reserve
The unspent grant allocation has been carried forward to complete the services during the next financial year.

Middlehaven Commuted Sums
This reserve has been created from revenue savings made by the Environment Directorate in 2009/10 to fund highway development costs at Middlehaven in future years. This work was completed during 2010/2011 and the reserve is no longer required.

Revenue Grants unapplied
From the 2010/11 financial year, the Authority is required to recognise all grants and contributions as income when the grant conditions have been met. Unspent grants required for specific purposes are transferred to the Revenue Grants unapplied reserve and used to finance the schemes when the expenditure is incurred.

Direct Revenue Funding
Resources identified from within the CFL Directorate's revenue budget have been set-a-side to contribute towards the cost of capital schemes in future years.

Social Care Winter Pressures
The Department of Health allocated funding to the Council to invest in Social Care services to cover any pressures arising during a severe winter.

Building Schools for the Future - ICT
This reserve will be used to cover the future ICT maintenance costs for the BSF schools.

Legal Land Search Fees
The Government have allocated funds to all authorities to offset potential liability incurred by authorities who are being sued by personal search companies who are claiming that the fees set by Government, and charged by local authorities are unlawful.

MIMA Asset Maintenance
This reserve will be used to cover the future repair and replacement costs of major maintenance items of equipment / structure etc.

Dedicated Schools Grant (DSG) - Central Expenditure
This is unspent Dedicated Schools Grant for central expenditure, which in accordance with the DCSF grant regulations must be carried forward for use in future years and spent in accordance with school financial regulation.

10 Other Operating Expenditure

	2009/10 £000	2010/11 £000
Parish Council Precepts	9	11
Levies		
Gain/loss on the Disposal of non current assets	0	13,803
Total	**9**	**13,814**

11 Financing and Investment Income and Expenditure

	2009/10 £000	2010/11 £000
Interest Payable and similar charges	4,550	3,893
Pension Interest cost and expected return on pensions assets	7,625	3,105
Interest receivable and similar income	(1,011)	(619)
Income and expenditure in relation to investment property and changes in their fair value	(2,711)	6,750
(Surpluses)/deficits on trading undertakings	394	1,738
Other investment income	0	0
Total	**8,847**	**14,867**

12 Taxation and Non Specific Income

	2009/10 £000	2010/11 £000
Council tax income	(49,122)	(50,195)
Non domestic rates	(66,407)	(73,027)
Non ringfenced government grants	(36,391)	(33,839)
Capital grants and contributions	(58,650)	(53,748)
Total	**(210,570)**	**(210,809)**

13 Property Plant and Equipment

Movements on Balances

Movements in 2010/11

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation:						
As at 1st April 2010	**442,740**	**20,719**	**103,286**	**27,521**	**32,799**	**627,065**
Additions	12,190	7,050	6,475	676	34,341	**60,732**
Donations						**0**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	6,059	0	0	0	0	**6,059**
Revaluation increases / (decreases) recognised in the Surplus/ Deficit on the Provision of Services	(2,026)	0	0	0	0	**(2,026)**
Derecognition - disposals	(30,040)	(501)	(767)	0	0	**(31,308)**
Derecognition - other	0	0	0	0	0	**0**
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	**0**
Other movements in cost or valuation	47,457	673	1,037	278	(48,795)	**650**
At 31st March 2011	**476,380**	**27,941**	**110,031**	**28,475**	**18,345**	**661,172**

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Accumulated Depreciation & Impairment:						
As at 1st April 2010	**(34,454)**	**(11,366)**	**(19,346)**	**(2)**	**0**	**(65,168)**
Depreciation Charge	(9,888)	(3,028)	(3,167)	0	0	**(16,083)**
Depreciation written out to the Revaluation Reserve	10,970	0	0	0	0	**10,970**
Depreciation written out to the Surplus / Deficit on the provision of services	0	0	0	0	0	**0**
Impairment losses/ (reversals) recognised in the Revaluation Reserve	(3,620)	0	0	0	0	**(3,620)**
Impairment losses/ (reversals) recognised in the Surplus/Deficit on the Provision of Services	(15,247)	(20)	0	0	0	**(15,267)**
Derecognition - Disposals	16,928	344	160	0	0	**17,432**
Derecognition - Other	0	0	0	0	0	**0**
Other movements in Depreciation an Impairment	(170)	(17)	26	0	0	**(161)**
At 31st March 2011	**(35,481)**	**(14,087)**	**(22,327)**	**(2)**	**0**	**(71,897)**
Net Book Value						
At 31st March 2011	**440,899**	**13,854**	**87,704**	**28,473**	**18,345**	**589,275**
At 31st March 2010	**408,286**	**9,353**	**83,940**	**27,519**	**32,799**	**561,897**

Comparative Movements in 2009/10

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation:						
As at 1st April 2009 - Restated	**424,430**	**15,668**	**91,524**	**27,699**	**13,892**	**573,213**
Additions	9,102	12,769	10,484	298	28,749	**61,402**
Donations	0	0	1,288	0	0	**1,288**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	13,978	0	0	0	0	**13,978**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the provision of services	(6,706)	0	0	0	0	**(6,706)**
Derecognition - disposals	(3,647)	(364)	0	(202)	0	**(4,213)**
Derecognition - other	0	0	0	0	0	**0**
Assets reclassified (to)/from Held for Sale	(1,000)	0	0	0	0	**(1,000)**
Other movements in cost or valuation	6,583	(7,354)	(10)	(274)	(9,842)	**(10,897)**
As at 31st March 2010	**442,740**	**20,719**	**103,286**	**27,521**	**32,799**	**627,065**

Accumulated Depreciation & Impairment:

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
As at 1st April 2009 - Restated	**(35,255)**	**(8,281)**	**(16,446)**	**(31)**	**0**	**(60,013)**
Depreciation Charge	(9,788)	(3,363)	(2,901)	29	0	**(16,023)**
Depreciation written out to the Revaluation Reserve	10,427	0	0	0	0	**10,427**
Depreciation written out to the Surplus / Deficit on the provision of services	0	0	0	0	0	**0**
Impairment losses/ (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	**0**
Impairment losses/ (reversals) recognised in the Surplus/Deficit on the Provision of Services	(345)	0	0	0	0	**(345)**
Derecognition - Disposals	336	283	0	0	0	**619**
Derecognition - Other						**0**
Other movements in Depreciation an Impairment	171	(5)	1	0	0	**167**
As at 31st March 2010	**(34,454)**	**(11,366)**	**(19,346)**	**(2)**	0	**(65,168)**

Depreciation

The following useful lives have been used in the calculation of depreciation:

Land - Not depreciated
Buildings - 40 to 50 years
Vehicles, Plant & Equipment- 3 to 15 years
Infrastructure - 5 to 40 years

Capital Commitments

At 31st March 2011, the Authority has entered into contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £123,115,000. Similar commitments at 31st March 2010 were £220,331,000. The major commitments are:

	£000
Corporate Services	
Equal Pay Awards	4,444
Urgent Works Block Budget	256
Building Improvement Programme - Block Budget	5,133
IT Refresh - Block Budget	901
	10,734
Social Care	
Levick House Replacement	4,543
DFG Resources	807
Training, Employment & Social Enterprise at Stewart Park	625
Telecare	266
Common Assessment Framework (CAF)	725
	6,966
Children, Families & Learning	
Securing Services For Children With Complex Needs	479
Harnessing Technology ICT Grant	661
City Learning Centre: Acklam Grange	352
Fair Play Playbuilder Capital	278
Myplace YCC (former Custom House)	3,122
Primary Strategy for Change (PSfC) - General	6,404
PSfC - Phase 1: Berwick Hills Primary	2,282
PSfC - Phase 1: Beechwood / Marton Grove Primary	1,944
Capital Improvements Block Budget	2,304
Devolved Formula Capital	2,744
Block Budget - Supported Capital Expenditure - Formula Funding	7,651
Building Schools for the Future (BSF): Design and Build (D&B) General	3,105
BSF - Acklam Grange D&B	873
BSF - Ormesby & Priory Woods D&B	330
BSF - Oakfields (Acklam Base) - D&B(incl. All-Weather Pitch)	22,964
BSF - Trinity RC College D&B	7,409
BSF - Prince Bishop (former Tollesby) & Beverley - D&B	2,030
BSF ICT: Oakfields	1,052
BSF ICT: Trinity RC School	900
BSF ICT: Beverley	256
	67,140

	£000
Environment	
Supported Capital Expenditure Formula Funding SCE(R)	5,811
Metz Bridge Travellers Site	405
Southlands Centre Pitch	328
Cemetery Infrastructure Improvements	558
Invest to Save Carbon Reduction	262
Purchase of New Vehicles	2,923
Stewarts Park Heritage Lottery Fund Delivery Stage (phase 2)	4,925
North Middlesbrough Accessibility	316
Tees Valley Bus Network Improvements	419
Highways Maintenance - Road repairs	4,845
	20,792
Regeneration	
Disabled Facilities Grant	1,306
Improvement totals	546
Regeneration totals	2,665
Improve Crown House Public Realm	609
Culture Development Fund	400
Middlehaven	435
Middlehaven Provision - Property Acquisition	3,600
Trinity Public Realm Works - Market Place	813
Imps to Linthorpe Rd Central	700
	11,074
Total	**116,706**

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out by Mouchel, the Council's strategic partner Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Revaluation Analysis

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
carried at historical cost		13,854	87,704	28,473	18,345	**148,376**
valued at fair value as at						
31 March 2015	86,469	0	0	0	0	**86,469**
31 March 2014	79,948	0	0	0	0	**79,948**
31 March 2013	85,315	0	0	0	0	**85,315**
31 March 2012	69,075	0	0	0	0	**69,075**
31 March 2011	120,092	0	0	0	0	**120,092**
Total Cost or Valuation	**440,899**	**13,854**	**87,704**	**28,473**	**18,345**	**589,275**

14 Investment Property

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

	2009/10 £000	2010/11 £000
Rental income from investment property	1,425	1,450
Direct operating expenses arising from investment property	(111)	(148)
Net gain/(loss)	**1,314**	**1,302**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2009/10 £000	2010/11 £000
Balance at start of the year	**36,623**	**61,140**
Additions:		
Purchases	20,700	3,311
Construction	0	0
Subsequent expenditure	0	0
Disposals	(107)	(151)
Net gains/losses from fair value adjustments	2,925	(6,750)
Transfers:		
to/from Inventories	0	0
to/from Property, Plant and Equipment	999	(1,571)
Other Changes	0	0
Balance at end of the year	**61,140**	**55,979**

15 Intangible Assets

The authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets consist wholly of purchased licenses and software.

All software is given a finite useful life of four years, based on assessments of the period that the software is expected to be of use to the authority.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £413,318 charged to revenue in 2010/11 was charged to the Information Technology Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	2009/10	2010/11
Balance at the start of the year:	**£000**	**£000**
Gross carrying amounts	8,106	8,594
Accumulated amortisation	(6,807)	(7,201)
Net carrying amount at start of year	**1,299**	**1,393**
Additions:		
Internal development	0	0
Purchases	254	174
Assets reclassified as held for sale	0	0
Other disposals	0	0
Revaluation increases or decreases	0	0
Impairment losses recognised or reversed directly in the Revaluation Reserve	0	0
Reversal of past impairment losses written back to the Surplus/Deficit on the Provision of Services	0	0
Amortisation for the period	(394)	(413)
Other changes	234	0
Net carrying amount at end of year	**1,393**	**1,154**
Comprising:		
Gross carrying amount	8,594	8,768
Accumulated amortisation	(7,201)	(7,614)
	1,393	**1,154**

16 Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long Term		Current	
	31 March 2010	31 March 2011	31 March 2010	31 March 2011
	£000	£000	£000	£000
Investments				
Loans and Receivables	3,692	673	21,021	25,580
Available for sale financial assets	0	0	0	0
Unquoted equity investment at cost	0	0	0	0
Financial assets at fair value through profit and loss	0	0	0	0
Total Investments	**3,692**	**673**	**21,021**	**25,580**
Debtors				
Loans and receivables	1,095	1,061	0	0
Financial Assets carried at contract amount	0	0	0	0
Total Debtors	**1,095**	**1,061**	**0**	**0**
Borrowing				
Financial liabilities at amortised cost	0	0	0	0
Financial liabilities at fair value	(80,381)	(75,362)	0	(5,000)
through profit and loss	0	0	0	0
Total Borrowings	**0**	**0**	**0**	**0**
Other Long Term liabilities				
Finance Leases	(294)	(216)	(1,714)	(184)
Total Other Long Term Liabilities	**(294)**	**(216)**	**(1,714)**	**(184)**
Creditors				
Financial liabilities at amortised cost	0	0	0	0
Financial liabilities carried at contract amount	0	0	0	0
Total creditors	**0**	**0**	**0**	**0**

Income, Expense, Gains and Losses
The gains and losses recognised in the Income and Expenditure Statement in relation to financial instruments are made up as follows:

2010/11

	Financial Liabilities measured at Amortised Cost	Financial Assets - Loans and Receivables	Financial Assets - Available for sale assets	Total
	£000	**£000**	**£000**	**£000**
Interest Expense	(3,893)	0	0	(3,893)
Losses on derecognition	0	0	0	0
Reductions in fair value	0	0	0	0
Impairment Losses	0	0	0	0
Fee expense	(22)	0	0	(22)
Total expense in Surplus or Deficit on the Provision of Services	**(3,915)**	**0**	**0**	**(3,915)**
Interest income	0	619	0	619
Interest income accrued on impaired financial assets	0	0	0	0
Increases in fair value	0	0	0	0
Gains on derecognition	0	0	0	0
Fee income	0	0	0	0
Total income in Surplus or Deficit on the Provision of Services	**0**	**619**	**0**	**619**
Gains on revaluation	0	0	0	0
losses on revaluation	0	0	0	0
Amounts recycled to Surplus or Deficit on the Provision of Services after impairment	0	0	0	0
Surplus/deficit arising on revaluation of financial assets in other comprehensive Income and Expenditure	**0**	**0**	**0**	**0**
Net Gain/(Loss) for the year	**(3,915)**	**619**	**0**	**(3,296)**

2009/10 Comparatives

	Financial Liabilities measured at Amortised Cost £000	Financial Assets - Loans and Receivables £000	Financial Assets - Available for sale assets £000	Total £000
Interest Expense	(4,181)	0	0	(4,181)
Losses on derecognition	0	0	0	0
Reductions in fair value	0	0	0	0
Impairment Losses	0	0	0	0
Fee expense	0	0	0	0
Total expense in Surplus or Deficit on the Provision of Services	**(4,181)**	**0**	**0**	**(4,181)**
Interest income	0	642	0	642
Interest income accrued on impaired financial assets	0	0	0	0
Increases in fair value	0	0	0	0
Gains on derecognition	0	0	0	0
Fee income	0	0	0	0
Total income in Surplus or Deficit on the Provision of Services	**0**	**642**	**0**	**642**
Gains on revaluation	0	0	0	0
losses on revaluation	0	0	0	0
Amounts recycled to Surplus or Deficit on the Provision of Services after impairment	0	0	0	0
Surplus/deficit arising on revaluation of financial assets in Other comprehensive Income and Expenditure	**0**	**0**	**0**	**0**
Net Gain/(Loss) for the year	**(4,181)**	**642**	**0**	**(3,539)**

Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following assumptions:

- the fair value of PWLB and market loans have been calculated by reference to the 'premature repayment' set of rates as at 31 March 2011
- no early repayment or impairment is recognised
- where the instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- the fair value of trade payables and other receivables is taken to be the invoiced or billed amount
- the carrying amounts of Finance Lease liabilities are taken to be a reasonable approximation of fair value

The fair values calculated are as follows:

	31st March 2010		31st March 2011	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities	80,754	94,380	75,729	88,998
Other liabilities (Finance leases)	2,008	2,008	400	400
Long term creditors	0	0	0	0

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders at current market rates.

	31st March 2010		31st March 2011	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	46,900	46,967	41,200	41,401
Long term debtors	0	0	0	0

The fair value of the assets is higher than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2011) arising from a commitment to receive interest at current market rates.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

17 Inventories

2010/11

	Consumable Stores	Maintenance Materials	Client Services Work In Progress	Property Acquired Or Constructed For Sale	Total
	£000	**£000**	**£000**	**£000**	**£000**
Balance outstanding at start of year	**453**	**1,643**	**0**	**259**	**2,355**
Purchases	2,882	2,890	0	352	6,124
Recognised as an expense in the year	(2,913)	(2,837)	0	(451)	(6,201)
Written off balances	0	0	0	0	0
Reversals of write-offs in previous years	0	0	0	0	0
Balance outstanding at year-end	**422**	**1,696**	**0**	**160**	**2,278**

2009/10 Comparatives

	Consumable Stores	Maintenance Materials	Client Services Work In Progress	Property Acquired Or Constructed For Sale	Total
	£000	**£000**	**£000**	**£000**	**£000**
Balance outstanding at start of year	**495**	**1,674**	**0**	**437**	**2,606**
Purchases	2,964	2,971	0	656	6,591
Recognised as an expense in the year	(3,006)	(3,002)	0	(834)	(6,842)
Written off balances	0	0	0	0	0
Reversals of write-offs in previous years	0	0	0	0	0
Balance outstanding at year-end	**453**	**1,643**	**0**	**259**	**2,355**

18 Short-Term Debtors

	2009/10 £000	2010/11 £000
Central Government Bodies	14,771	14,417
Impairment	0	0
Central Government Bodies (net of impairment)	**14,771**	**14,417**
Other Local Authorities	4,140	3,699
Impairment	0	0
Other Local Authorities (net of impairment)	**4,140**	**3,699**
NHS Bodies	32	27
Impairment	0	0
NHS Bodies (net of impairment)	**32**	**27**
Public corporations and trading funds	0	0
Impairment	0	0
Public corporations and trading funds (net of impairment)	**0**	**0**
Other entities and individuals	29,717	29,105
Impairment	(9,761)	(9,923)
Other entities and individuals (net of impairment)	**19,956**	**19,182**
Total	**38,899**	**37,325**

19 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	2009/10 £000	2010/11 £000
Cash held by the Authority	150	177
Bank current accounts	3,400	11,371
Short-term deposits with building societies	17,400	9,300
Total Cash and Cash Equivalents	**20,950**	**20,848**

20 Assets Held for Sale

	Current		Non Current	
	2009/10	2010/11	2009/10	2010/11
	£000	£000	£000	£000
Balance outstanding at start of year	**313**	**1,300**	**0**	**0**
Assets newly classified as held for sale:				
Property, Plant and Equipment	1,000	1,103	0	0
Intangible Assets	0	0	0	0
Other assets/liabilities in disposal groups	0	0	0	0
Revaluation losses	0	0	0	0
Revaluation gains	0	0	0	0
Impairment losses	(13)	(633)	0	0
Assets declassified as held for sale:				
Property, Plant and Equipment	0	0	0	0
Intangible Assets	0	0	0	0
Other assets/liabilities in disposal groups	0	0	0	0
Assets sold	0	(312)	0	0
Transfers from non current to current	0	0	0	0
Other Movements	0	0	0	0
Balance outstanding at end of year	**1,300**	**1,458**	**0**	**0**

21 Short-Term Creditors

	2009/10	2010/11
	£000	£000
Central government bodies	(2,985)	(4,277)
Other local authorities	(2,807)	(4,168)
NHS bodies	(2,271)	(1,303)
Public corporations and trading funds	0	0
Other entities and individuals	(40,438)	(34,186)
Total	**(48,501)**	**(43,934)**

22 Provisions

Long Term

	Balance at 1 April 2010 £000	Additional Provision made in 2010/11 £000	Amounts used in 2010/11 £000	Unused amounts reversed in 2010/11 £000	Balance at 31 March 2011 £000
Business Loan Guarantees	**70**	0	0	0	**70**
Housing Pension Contribution Deficit	**2,800**	0	(200)	0	**2,600**
ML Shop	**0**	30	0	0	**30**
HR Initiatives & Equal Pay	**449**	0	(415)	0	**34**
Total - Long Term	**3,319**	**30**	**(615)**	**0**	**2,734**

Business Loan Guarantees
The provision covers loan guarantees given by the Council to local businesses.

Housing Pension Contribution Deficit
The Council has made appropriate provision to cover the pensions deficit from the date of transfer of the Council's housing service (November 2004) for a period of 20 years.

Middlesbrough Learning Shop - Dilapidations
A claim has been made by the owner of a property on Albert Road formerly the Middlesbrough Learning Shop for back dated rent and potential dilapidations costs.

HR Initiatives and Equal Pay
The provision is utilised to cover the administration cost associated with equal pay claims and also covers the ongoing costs of the Council's job evaluation exercise.

Current

	Balance at 1 April 2010 £000	Additional Provision made in 2010/11 £000	Amounts used in 2010/11 £000	Unused amounts reversed in 2010/11 £000	Balance at 31 March 2011 £000
Write back of unpresented cheques	**28**	81	0	0	**109**
Landfill usage liability	**2**	0	0	(2)	**0**
Building Schools for the Future	**302**	0	(98)	0	**204**
Repayment of Capital Grants	**307**	21	(121)	0	**207**
Business Rents Provision	**120**	0	0	(120)	**0**
Early Retirement/ Voluntary Redundancy	**0**	1,091	0	0	**1,091**
Total - Current	**759**	**1,193**	**(219)**	**(122)**	**1,611**

Unpresented Cheques Write Back
A provision has been created to cover any replacement cheques raised where the original cheque was previously unpresented after six months and had been written back to the accounts.

Landfill Usage Liability
A provision was made to cover the 2009/2010 estimated Landfill Usage in accordance with LAAP Bulletin 64. The Liability was discharged in 2010/2011 when the authority's reconciled landfill usage was established.

Building Schools For the Future
Funding has been set aside to cover a proportion of the future costs incurred in supporting the Council's Building Schools for the Future project.

Repayment of Capital Grant
A provision has been created to fund the possible repayment of capital grants in the following areas:
- Standards Fund
- Sure Start Local Programmes

Business Rates Provision
The provision covers a premium guarantee given by the Council to a local business. The guarantee is no longer required and the provision has been removed.

Change Programme - Approved Early Retirements

A provision has been created to fund the costs of staff voluntary redundancies (VR) / early retirements (ER) agreed in 2010/2011 with leaving dates in 2011/2012. The ER/VR's are part of the Councils change programme to generate ongoing savings.

23 Usable Reserves

Movement in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Notes 8 and 9.

24 Unusable Reserves

	2009/10 £000	2010/11 £000
Revaluation Reserve	88,041	99,097
Capital Adjustment Account	431,302	433,352
Deferred Capital Receipts Reserve	54	48
Pensions Reserve	(192,957)	(79,096)
Collection Fund Adjustment Account	(208)	43
Accumulating Compensated Absences Adjustment Account	(2,809)	(2,738)
Total Unusable Reserves	**323,423**	**450,706**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2009/10	2010/11
	£000	**£000**
Balance at 1 April	**66,628**	**88,041**
Upward revaluation of assets	24,524	17,094
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	(3,742)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	24,524	13,352
Difference between fair value depreciation and historical cost depreciation	(1,930)	(2,226)
Accumulated gains on assets sold or scrapped	(1,181)	(70)
Amount written off to the Capital Adjustment Account	(3,111)	(2,296)
Balance at 31 March	**88,041**	**99,097**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Property and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2009/10 £000	2010/11 £000
Balance at 1 April	**381,658**	**431,302**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(13,814)	(31,349)
Revaluation losses on Property, Plant and Equipment	(9,443)	(2,590)
Amortisation of intangible assets	(128)	(413)
Revenue expenditure funded from capital under statute	6,247	(24,837)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,601)	(14,267)
	(19,739)	**(73,456)**
Adjusting amounts written out of the Revaluation Reserve	1,930	2,226
Net written out amount of the cost of non-current assets consumed in year	(17,809)	(71,230)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	1,223	(1,783)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	44,002	70,189
Application of grants to capital financing from the Capital Grants Unapplied Account	11,088	3,509
Statutory provision for the financing of Capital investment charged against the General Fund balance	6,531	6,687
Capital expenditure charged against the General Fund and balance	1,898	1,428
	64,742	80,030
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	2,711	(6,750)
Other Capital Movements		
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0	0
Balance at 31 March	**431,302**	**433,352**

Pension Reserve
The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2009/10 £000	2010/11 £000
Balance at 1 April	**(97,164)**	**(192,957)**
Actuarial gains or losses on pensions assets and liabilities	(92,983)	66,619
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(19,088)	30,404
Employer's pensions contributions and direct payments to pensioners payable in the year	16,278	16,838
Balance at 31 March	**(192,957)**	**(79,096)**

Deferred Capital Receipts Reserve
The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until that are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2009/10 £000	2010/11 £000
Balance at 1 April	**69**	**54**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		
Transfer to the Capital Receipts Reserve upon the receipt of cash	(15)	(6)
Balance at 31 March	**54**	**48**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2009/10 £000	2010/11 £000
Balance at 1 April	**(84)**	**(208)**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(124)	251
Balance at 31 March	**(208)**	**43**

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2009/10 £000	2010/11 £000
Balance at 1 April	**(2,310)**	**(2,809)**
Settlement or cancellation of accrual made at the end of the preceding year:	2,310	2,809
Amounts accrued at the end of the current year	(2,809)	(2,738)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(499)	71
Balance at 31 March	**(2,809)**	**(2,738)**

25 Cash Flow Statement - Operating Activities

	2009/10 £000	2010/11 £000
Cash Inflows generated from Operating Activities		
Taxation	(101,466)	(105,284)
Grants	(247,734)	(261,732)
Housing Rents	0	0
Sale of goods and rendering of services	(78,548)	(96,279)
Interest received	(1,316)	(1,171)
Other Receipts from operating activities	(6,279)	(5,324)
Total	**(435,343)**	**(469,790)**
Cash Outflows generated from Operating Activities		
Cash paid to and on behalf of employees	145,300	140,058
Housing benefit paid out	64,731	68,301
Precepts paid	9	12
Cash paid to suppliers of goods and services	170,350	214,328
Interest Paid	8,272	7,653
Other payments for operating activities	37,178	32,633
Total	**425,840**	**462,985**
Net cash flow from operating activities	**(9,503)**	**(6,805)**

26 Cash Flow Statement - Investing Activities

	2009/10 £000	2010/11 £000
Purchase of PPE, investment property and intangible assets	56,958	61,768
Purchase of short term and long term investments	478,200	541,701
Other payments for investing activities	7,298	24,845
Proceeds from the sale of PPE, investment property and intangible assets	(48)	(500)
Proceeds from short term and long term investments	(499,900)	(540,201)
Other receipts from investing activities	(1,829)	(981)
Capital Grants	(71,711)	(83,418)
Net cash flow from investing activities	**(31,032)**	**3,214**

27 Cash Flow Statement - Financing Activities

	2009/10 £000	2010/11 £000
Cash receipts of short and long term borrowing	(25,000)	0
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liability relating to finance leases	1,878	1,894
Repayments of short and long term borrowing	44,000	0
Other payments for financing activities	6,087	1,799
Net cash flows from financing activities	**26,965**	**3,693**

28 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Executive on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to services.

The income and expenditure of the Authority's principal services recorded in the budget monitoring reports for the year and reported to Members is set out overleaf:

Service Income and Expenditure 2010/11

	Children's Families and Learning £000	Social Care £000	Environment Services £000	Regeneration Services £000	Corporate Services £000	Other Services £000	Total £000
Fees, charges & other service income	(18,072)	-26,801	-13,815	-2,511	-11,439	-29,924	**(102,562)**
Government grants	(125,357)	-2,356	-13,899	-2,844	-87,847	0	**(232,303)**
Total Income	**(143,429)**	**(29,157)**	**(27,714)**	**(5,355)**	**(99,286)**	**(29,924)**	**(334,865)**
Employee expenses	102,855	19,368	27,038	8,467	13,062	1,538	**172,328**
Other service expenses	70,900	57,906	27,788	10,846	112,001	16,255	**295,696**
Support Service Recharges	7,100	5,077	7,862	4,256	(24,295)	0	**0**
Total Expenditure	**180,855**	**82,351**	**62,688**	**23,569**	**100,768**	**17,793**	**468,024**
Net Expenditure	**37,426**	**53,194**	**34,974**	**18,214**	**1,482**	**(12,131)**	**133,159**

Service Income and Expenditure 2009/10 Comparative Figures

	Children's Families and Learning £000	Social Care £000	Environment Services £000	Regeneration Services £000	Corporate Services £000	Other Services £000	Total £000
Fees, charges & other service income	(3,950)	-25656	-27149	-4666	-7020	-26047	**(94,488)**
Government grants	(111,487)	(7,685)	(2,936)	(2,948)	(83,096)	0	**(208,152)**
Total Income	**(115,437)**	**(33,341)**	**(30,085)**	**(7,614)**	**(90,116)**	**(26,047)**	**(302,640)**
Employee expenses	105,075	21,028	28,723	8,859	14,528	1,583	**179,796**
Other service expenses	44,734	54,763	29,736	12,683	102,853	8,872	**253,641**
Support Service Recharges	6,896	5,311	8,288	4,470	(24,965)	0	**0**
Total Expenditure	**156,705**	**81,102**	**66,747**	**26,012**	**92,416**	**10,455**	**433,437**
Net Expenditure	**41,268**	**47,761**	**36,662**	**18,398**	**2,300**	**(15,592)**	**130,797**

Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of the service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2009/10 £000	2010/11 £000
Net expenditure in the service analysis	130,797	133,159
Net expenditure of services and support services not included in the analysis	0	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	5,974	(22,319)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	10,448	12,136
Cost of Services in the Comprehensive Income and Expen	**147,219**	**122,976**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11

	Service Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(101,943)	0	0	**(101,943)**	0	**(101,943)**
Surplus or deficit on associates and joint ventures	0	0	0	**0**	0	**0**
Interest and investment income	(619)	0	619	**0**	(619)	**(619)**
Income from council tax	0	0	0	**0**	(50,195)	**(50,195)**
Government grants and contributions	(232,303)	0	23,235	**(209,068)**	(160,614)	**(369,682)**
Total Income	**(334,865)**	**0**	**23,854**	**(311,011)**	**(211,428)**	**(522,439)**
Employee expenses	172,328	(50,464)	0	**121,864**	0	**121,864**
Other service expenses	285,912	0	(1,933)	**283,979**	1,738	**285,717**
Support Service recharges	0	0	0	**0**	0	**0**
Depreciation, amortisation and impairment	0	28,138	0	**28,144**	6,749	**34,893**
Interest Payments	3,844	0	(3,844)	**0**	6,998	**6,998**
Precepts & Levies	12	0	(12)	**0**	12	**12**
Payments to Housing Capital Receipts Pool	0	0	0	**0**	0	**0**
MRP/VRP/DRF	5,928	0	(5,928)	**0**	0	**0**
Gain or Loss on Disposal of Fixed Assets	0	0	0	**0**	13,803	**13,803**
Total expenditure	**468,024**	**(22,326)**	**(11,717)**	**433,987**	**29,300**	**463,287**
Surplus or deficit on the provision of services	**133,159**	**(22,326)**	**12,137**	**122,976**	**(182,128)**	**(59,152)**

2009/10 Comparative Figures

	Service Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(91,017)	0	0	**(91,017)**	0	**(91,017)**
Surplus or deficit on associates and joint ventures	0	0	0	**0**	0	**0**
Interest and investment income	(3,471)	0	3,471	**0**	(22,623)	**(22,623)**
Income from council tax	0	0	0	**0**	(49,122)	**(49,122)**
Government grants and contributions	(208,152)	0	21,063	**(187,089)**	(161,448)	**(348,537)**
Total Income	**(302,640)**	**0**	**24,534**	**(278,106)**	**(233,193)**	**(511,299)**
Employee expenses	179,796	(4,314)	0	**175,482**	0	**175,482**
Other service expenses	240,880	0	(1,325)	**239,555**	394	**239,949**
Support Service recharges	0	0	0	**0**	0	**0**
Depreciation, amortisation and impairment	0	10,288	0	**10,288**	0	**10,288**
Interest Payments	4,181	0	(4,181)	**0**	31,076	**31,076**
Precepts & Levies	9	0	(9)	**0**	9	**9**
Payments to Housing Capital Receipts Pool	8,571	0	(8,571)	**0**	0	**0**
Gain or Loss on Disposal of Fixed Assets	0	0	0	**0**	0	**0**
Total expenditure	**433,437**	**5,974**	**(14,086)**	**425,325**	**31,479**	**456,804**
Surplus or deficit on the provision of services	**130,797**	**5,974**	**10,448**	**147,219**	**(201,714)**	**(54,495)**

29 Trading Operations

The Council has established a number of operations which are required to operate in a commercial environment and balance their budgets by generating income from other parts of the authority or other organisations. Details of these operations are given below:

	2009/10			2010/11		
	Turnover £'000	Exp. £'000	(Surplus)/ Deficit £'000	Turnover £'000	Exp. £'000	(Surplus)/ Deficit £'000
Building Control	334	390	56	301	354	53
Commercial and Industrial Properties	2,352	3,315	963	2,304	2,093	(211)
Highways and Sewers	2,259	3,107	848	1,425	2,523	1,098
Building maintenance, cleaning & security	3,985	4,370	385	4,189	4,585	396
Parking	2,201	2,895	694	1,906	2,314	408
School Support	1,942	1,973	31	1,929	1,923	(6)
Total	**13,073**	**16,050**	**2,977**	**12,054**	**13,792**	**1,738**

Building Control
Ensures that all relevant building work complies with regulations existing to secure the health & safety of building users, promote energy efficiency and improve access for the disabled.

Commercial and Industrial Properties
Estate management of properties for industrial and commercial tenants.

Highways and Sewers
Work to general highways and sewers including street lighting maintenance.

Building maintenance, cleaning & security
Construction and maintenance of public buildings.

School Support
The provision of administrative and support services to schools.

30 Agency Services

The Council may carry out certain work for other bodies on an agency basis for which it is fully reimbursed. All the income and expenditure is included in the Income and Expenditure Account. Having reviewed the services supplied the Council has concluded that it does not provide services which fall under the category of Agency Services.

31 Pooled Budgets

Tees Community Equipment Service

The Tees Community Equipment Service is a partnership established by an agreement under Section 31 of the Health Act 1999.The partnership agreement covers the costs of administering the Tees Community Equipment Service including:

The procurement, storage, delivery, assembly or fitting, maintenance, collection, decontamination and recycling of community equipment provided to support vulnerable or disabled service users living in the community.

To provide and maintain stock of equipment at additional designated locations, where provided by the Partner of this Agreement, for demonstration and use by the Occupational Therapy Service of that locality.

To incorporate mechanisms which enable Health and Social Service professionals and members of the public to attend the service's premises to collect equipment.

A facility for the procurement of non-stock items.

The production and distribution of a catalogue describing the service and equipment available.

The agreement is made between eight partners as set out in the memorandum of account. The eight partners in the Tees Community Equipment Service are Middlesbrough Council, Stockton Council, Redcar & Cleveland Borough Council, Hartlepool Council, Middlesbrough PCT, North Tees PCT, Langbaurgh PCT and Hartlepool PCT. The outturn position for the year is:

	2009/10	2010/11
	£000	£000
Balance brought forward	**(96)**	**(105)**
Gross Expenditure	1,008	1,010
Gross Income	(1,017)	(1,021)
Balance carried forward	**(105)**	**(116)**
Contributions from partners:		
Middlesbrough Council	139	146
Stockton Council	148	165
Redcar & Cleveland Borough Council	158	157
Hartlepool Council	92	82
Middlesbrough Primary Care Trust	42	45
North Tees Primary Care Trust	68	58
Langbaurgh Primary Care Trust	45	45
Hartlepool Primary Care Trust	37	35
	729	733
Other income	288	288
Total	**1,017**	**1,021**

32 Members' Allowances

The Authority paid the following amounts to Counsellors during the year.

	2009/10	2010/11
	£000	£000
Allowances		
- Special Responsibility Allowance	278	299
- Basic Allowance	299	279
- Attendance Allowance	0	0
Expenses	39	32
Total	**616**	**610**

33 Officers' Remuneration

The remuneration paid to the Authority's senior employees is as follows:

2010/11 remuneration

	Salary (including fees & allowances) £	Expense Allowances £	Benefit in Kind (e.g. Car Allowances) £	Total Remuneration excluding pension contributions £	Pension Contributions £	Total Remuneration including pension contributions £
Chief Executive	142,650	0	0	142,650	24,821	167,471
Director of Social Care	56,742	0	516	57,258	155,414	212,672
Director of Children, Families and Learning	113,484	0	786	114,270	19,746	134,016
Director of Environment	113,424	0	0	113,424	19,736	133,160
Director of Regeneration	106,281	0	941	107,222	18,493	125,715
Director of Resources	90,000	0	0	90,000	15,660	105,660
Director of Human Resources	77,917	0	0	77,917	152,184	230,101
Director of Legal and Democratic Services	85,000	0	0	85,000	14,790	99,790
Assistant Chief Executive	77,019	0	416	77,435	13,920	91,355

2009/10 comparative remuneration

	Salary (including fees & allowances) £	Expense Allowances £	Benefit in Kind (e.g. Car Allowances) £	Total Remuneration excluding pension contributions £	Pension Contributions £	Total Remuneration including pension contributions £
Chief Executive	131,687	0	1,044	132,731	22,913	155,644
Director of Social Care	113,484	0	1,633	115,117	19,746	134,863
Director of Children, Families and Learning	110,062	66	1,558	111,686	19,151	130,837
Director of Environment	108,081	0	2,144	110,225	18,914	129,139
Director of Regeneration	101,619	0	834	102,454	17,682	120,135
Director of Resources	90,000	0	689	90,689	15,660	106,349
Director of Human Resources	85,000	0	689	85,689	14,790	100,479
Director of Legal and Democratic Services	85,000	0	98	85,098	14,790	99,888
Assistant Chief Executive	75,000	0	815	75,815	13,050	88,865

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

	Number of Employees at 31 March 2010			**Number of Employees at 31 March 2011**		
	Total	**MBC**	**Schools**	**Total**	**MBC**	**Schools**
Band: £						
50,000 - 54,999	62	23	39	53	18	35
55,000 - 59,999	24	11	13	32	11	21
60,000 - 64,999	24	7	17	22	8	14
65,000 - 69,999	11	5	6	10	2	8
70,000 - 74,999	8	4	4	10	2	8
75,000 - 79,999	12	11	1	12	12	0
80,000 - 84,999	4	2	2	3	1	2
85,000 - 89,999	4	3	1	3	3	0
90,000 - 94,999	1	1	0	2	1	1
95,000 - 99,999	0	0	0	1	0	1
100,000 - 104,999	1	1	0	1	0	1
105,000 - 109,999	1	0	1	2	2	0
110,000 - 114,999	1	1	0	2	2	0
115,000 - 119,999	1	1	0	0	0	0
120,000 - 124,999	0	0	0	0	0	0
125,000 - 129,999	0	0	0	0	0	0
130,000 - 134,999	1	1	0	0	0	0
135,000 - 139,999	0	0	0	0	0	0
140,000 - 144,999	0	0	0	1	1	0
145,000 - 149,999	0	0	0	0	0	0
150,000 - 154,999	0	0	0	0	0	0
155,000 - 159,999	0	0	0	0	0	0
160,000 - 164,999	0	0	0	0	0	0
	155	**71**	**84**	**154**	**63**	**91**

Remuneration is all amounts receivable by an employee, including expenses and allowances chargeable to tax and the estimated money value of any other benefits received.

34 Audit Fees

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

	2009/10 £000	2010/11 £000
Fees payable to the External Auditor with regard to external audit services carried out by appointed auditor	249	277
Fees payable to the External Auditor in respect of statutory inspections	22	18
Fees pay to the External Auditor for the certification of grant claims and returns for the year	63	68
Fees payable in respect of other services provided by the External Auditor	100	94
	434	**457**

35 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education grant, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school.

Details of the deployment of DSG receivable for 2010/2011 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2010/11			81,759
Brought forward from 2009/10			444
Carry forward to 2009/10 agreed in advance			0
Agreed Distribution in 2010/11	**8,965**	**73,238**	**82,203**
Actual central expenditure	8,486		8,486
Actual ISB deployed to schools		73,195	73,195
Local authority contribution for 2010/11	0	0	0
Carry Forward to 2011/12	**479**	**43**	**522**

The total level of reserves and balances held by the schools can be found in Note 9.

36 Grant Income

The Authority credited the following grants, contributions and donations (over £100,000) to the Comprehensive Income and Expenditure Statement in 2010/11.

	2009/10	2010/11
Credited to Taxation and Non Specific Grant Income	**£000**	**£000**
Revenue Support Grant	15,328	10,604
Area Based Grant	21,064	23,235
Total	**36,392**	**33,839**

	2009/10	2010/11
Credited to Services	**£000**	**£000**
Department for Education		
Dedicated Schools Grant	79,094	82,203
Standards Funds	16,889	17,804
Young People's Learning Agency	0	10,078
Learning Skills Council	1,689	621
Sure Start Early Years & Childcare Grant	8,533	8,473
Intensive Intervention	200	175
Minor grants (less than £100k each)	75	75
Department for Communities and Local Government		
Housing Planning Delivery Grant	614	178
Local Authority Business Growth Initiative	145	12
New Deal	1,050	0
Supporting People	6,041	483
Minor grants (less than £100k each)	10	81
Home Office		
Youth Offender Services	1,928	2,339
Drug Intervention Programme	1,038	960
Minor grants (less than £100k each)	104	68
Department for Business		
Skills Funding Agency	0	1,184
Arts Council		
Middlesbrough Institute of Modern Arts (MIMA)	179	199
Department for Work and Pensions		
Housing Benefit Subsidy Grant	83,019	87,812
Future Jobs Fund	168	746

Credited to Services (cont)	2009/10 £000	2010/11 £000
Department of Health		
Healthy Towns	910	576
Social Care Reform	485	639
Stroke Care	89	142
Communities for Health	156	1,061
Physical Activities Grant	0	200
Minor grants (less than £100k each)	243	245
European Grants		
European Regional Development Fund	140	739
Department for Trade and Industry		
Single Programme	370	568
Department for Environment Food and Rural Affairs		
Waste Infrastructure Grant	241	0
Minor grants (less than £100k each)	2	137
Department for Transport		
Concessionary Fares	580	596
Urban Bus Challenge	182	0
Winter Damage	0	115
Tees Valley Bus Network Improvements	0	10,537
Minor grants (less than £100k each)	29	49
Lottery Grants		
Minor grants (less than £100k each)	69	171
Other Grants	3,882	3,138
Other Contributions		
Redcar Borough Council	2,173	2,183
Stockton Borough Council	2,389	2,358
Hartlepool Borough Council	857	929
NHS Middlesbrough	7,989	8,678
NHS Stockton	203	506
NHS Redcar	242	341
NHS Darlington	160	167
Tees, Esk and Wear Valleys NHS Trust	571	462
Newcastle Council	1,043	879
Refugee Settlement	169	0
Shaw Trust	117	112
Total	**224,067**	**249,019**

The Authority has received some grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances (over £100,0000 at the year end are as follows:

	2009/10	2010/11
Capital Grants Receipts in Advance	**£000**	**£000**
Primary Strategy for Change	2,589	0
Middlehaven Property Acquisition	2,000	2,000
Total	**4,589**	**2,000**

37 Related Parties

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government

Central government has effective control over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties. Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 36.

Senior Officers and Members

The Council's Senior Managers and Elected Members and their close relations may influence the Council's financial and operating policies. Using the Council's Register of Members' Declarations of Interest and a separate survey of both Members and Senior Officers, the following disclosures meet the criteria for related party transactions on behalf of the Council:

- The Chief Executive is also on the Board of Tees Valley Regeneration and the Board of Teesside University.
- The Director of Resources is also the Treasurer of the Teesside Pension Fund.
- The Director of Legal and Democratic Services is also Company Secretary of Dial-a-Ride Middlesbrough.
- The Director of Environment is also a Director of Nature's World (Botanic Centre).
- The Assistant Director, Commissioning & Resources (Children, Families & Learning) is also a Director of Northern Grid for Learning.
- Several of the Council's elected representatives hold directorships of related companies.

- In some cases Members also have related transactions through their employment in companies which trade with the Council; where stated these have been investigated and found not to be material.

Teesside Pension Fund
Details of all transactions with the Pension Fund are shown in the Teesside Pension Fund section of the Statement of Accounts.

38 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2009/10 £000	2010/11 £000
Opening Capital Financing Requirement	**103,842**	**107,022**
*Capital investment**		
Property, Plant and Equipment	52,612	58,710
Investment Properties	20,710	3,308
Intangible Assets	599	181
Revenue Expenditure Funded from Capital under Statute	(6,246)	24,655
Sources of finance		
Capital receipts	(1,223)	1,783
Government grants and other contributions	(54,787)	(71,490)
Sums set aside from revenue:		
Direct revenue contributions	(1,898)	(1,427)
Reduction in Long Term Debtors	(56)	(53)
MRP/loans fund principal	(6,531)	(6,688)
Closing Capital Financing Requirement	**107,022**	**116,001**

	2009/10 £000	2010/11 £000
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	3,774	5,649
Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance)	5,729	9,785
Reduction in Long Term Debtors	(56)	(53)
MRP/loans fund principal	(6,531)	(6,688)
Assets acquired under finance leases	264	286
Increase/(decrease) in Capital Financing Requirement	**3,180**	**8,979**

39 Leases

Authority as Lessee

Finance Leases

The Authority has acquired refuse vehicles, wheelie bins, multi functional devices and IT equipment under finance lease arrangements.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	2009/10 £000	2010/11 £000
Other Land and Buildings	591	546
Vehicles, Plant, Furniture and Equipment	929	673
	1,520	**1,219**

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2010 £000	31 March 2011 £000
Finance lease liabilities (net present value of minimum lease payments):		
current	1,713	184
non-current	295	216
Finance costs payable in future years	116	100
Minimum lease payments	**2,124**	**500**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000
No later than one year	1,753	228	1,713	184
Later than one year and not later than five years	371	272	295	216
Later than five years	0	0	0	0
	2,124	**500**	**2,008**	**400**

The minimum lease payment do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. No contingent rents were payable by the Authority in either 2010/11 or 2009/10 in relation to the above leasing arrangements. A small number of previous lease arrangements have been extended in the short term. As these arrangements may be cancelled at short notice they are not included in this note.

Operating Leases
The Authority has acquired some land and buildings by entering into operating leases, with lives ranging from 3 to 99 years.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2010 £000	31 March 2011 £000
No later than one year	185	155
Later than one year and not later than five years	532	502
Later than five years	216	91
	933	**748**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2010 £000	31 March 2011 £000
Minimum lease payments	216	185
Contingent rents*	0	0
	216	**185**

* The Authority does not hold information on Contingent Rents.

Authority as Lessor
Operating Leases
The Authority leases out property and equipment under operating leases for the following purposes:

for the provision of community services, such as sports facilities, tourism services and community centres

for economic development purposes to provide suitable affordable accommodation for local business

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2010 £000	31 March 2011 £000
No later than one year	1,525	1,555
Later than one year and not later than five years	4,507	4,676
Later than five years	35,696	35,027
	41,728	**41,258**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. The Authority does not hold information on Contingent Rents.

40 Impairment Losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Notes 13 and 14 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

During 2010-11 the Authority has recognised an impairment loss of 29.4 million. This loss is mainly due to £18.3 million on Property, Plant & Equipment relating to the demolition of Acklam Grange, Priory Woods and Ormesby Schools as part of the ongoing Building Schools for the Future project. In addition to this there is a loss of £6.4 million on Investment Property as a result of the demolition of properties as part of the redevelopment of Inner Middlesbrough and St Hildas areas.

41 Termination Benefits

The Authority terminated the contracts of a number of employees in 2010/11, incurring liabilities of £4.1m Included in this total are the cost of additional contributions to the Pension Fund relating to the early retirement of two Executive Directors (£0.3m).The two posts have been deleted from the council's staffing establishment generating savings in future years to contribute towards the council's overall efficiency savings targets.

42 Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Authority are members of the Teachers' Pension scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the cost by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department of Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to indentify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11, the authority paid £5.45 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.10% of pensionable pay. The figures for 2009/10 were £5.75 million and 14.09%

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 43.

43 Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. The Authority participates in one pension scheme:

- The Local Government Pension Scheme, administered by the Authority - this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets.

Transactions relating to Post Employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year :

Comprehensive Income & Expenditure Statement	2009/10 £000	2010/11 £000
Cost Of Services :		
current service cost	10,410	16,296
past service cost	0	(51,768)
settlements and curtailments	1,053	1,963
Financing and Investment Income and Expenditure:		
Interest Cost	26,895	32,139
Expected return on assets	(19,270)	(29,034)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**19,088**	**(30,404)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial Gains and Losses	92,983	(66,619)
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**112,071**	**(97,023)**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with FRS 17	**(19,088)**	**30,404**
Actual Amount charged against the General Fund Balance for pensions in the year:		
Employers contributions payable to scheme	16,278	16,838
	16,278	**16,838**

The amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a gain of £66,619,000

Assets and Liabilities in Relation to Post employment Benefits

Reconciliation of present value of scheme liabilities (defined benefit obligation):

	2009/10	2010/11
	£000	£000
Opening Balance at 1 April	(405,284)	(616,377)
Current Service Cost	(10,410)	(16,296)
Interest Cost	(26,895)	(32,139)
Contributions by scheme participants	(4,828)	(4,662)
Actuarial Gains / (Losses)	(191,001)	53,908
Benefits paid	23,094	25,326
Past Service Cost	0	51,768
Curtailments	(1,053)	(1,963)
Settlements	0	0
Closing Balance at 31 March	**(616,377)**	**(540,435)**

Reconciliation of fair value of scheme assets:

	Local Government Pension Scheme	
	2009/10	2010/11
	£000	£000
Opening Balance at 1 April	308,120	423,420
Expected return on plan assets	19,270	29,034
Actuarial Gains / (Losses)	98,018	12,711
Employer contributions	16,278	16,838
Contributions by scheme participants	4,828	4,662
Benefits paid	(23,094)	(25,326)
Settlements		
Closing Balance at 31 March	**423,420**	**461,339**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £36,243,000 (2009/10 £117,288,000).

Scheme History

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Present Value of Liabilities	(515,457)	(457,396)	(405,284)	(616,377)	(540,435)
Fair value of assets	385,533	361,464	308,120	423,420	461,339
Surplus/(deficit) in the scheme	**(129,924)**	**(95,932)**	**(97,164)**	**(192,957)**	**(79,096)**

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £540,435,000 has a sustained impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £79,096,000. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy because:

the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the Scheme actuary.

finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31st March 2012 is £9,673,000.

Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Teesside Pension Fund being based on latest full valuation of the scheme as at 31 March 2011.

The principals assumptions used by the actuary have been:

	2009/10	2010/11
Long-term expected rate of return on assets in the scheme:		
Equities	7.30%	7.20%
Gilts	4.50%	4.40%
Other Bonds	5.50%	5.50%
Property	5.50%	5.40%
Cash/Liquidity	3.00%	3.00%
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
Men	19.51	18.90
Women	22.55	23.00
Longevity at 65 for future pensioners :		
Men	20.41	20.90
Women	23.43	24.90
Rate of inflation	3.90%	-0.80%
Rate of increase in salaries	5.40%	1.50%
Rate of increase in pensions	3.90%	-0.80%
Rate for discounting scheme liabilities	5.50%	1.90%
Take up of option to convert annual pension into retirement lump sum	50.00%	50.00%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2009/10	2010/11
	%	%
Equity investments	83	84
Gilts	7	6
Other Bonds	1	2
Property	4	4
Cash/Liquidity	5	4
	100	**100**

History of Experience Gains and Losses
The actuarial losses identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2011 :

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Difference between the expected and actual return on assets	0.40	(14.50)	(26.70)	23.10	2.76
Experience gains and losses on liabilities	-	(0.30)	-	(0.30)	(1.90)

44 Contingent Liabilities
At 31 March 2011, the Authority held the following contingent liabilities:

Home Housing Guarantee
An agreement was entered into with Home Housing, which guaranteed an initial liability of £2.4million. This was increased to £4.01million in 1996/97 as a result of further development at St Johns Gate. The assets of Home Housing are considered sufficient to meet their liabilities without calling upon the guarantee and no provision has been made in the accounts.

North East Assembly
The Council is a Member of the North East Assembly. It is one of 25 Constituent Local Authorities who have agreed to provide cross-guarantees in respect of the admission of the North East Assembly staff to the Tyne & Wear Local Government Pension Fund. There is a potential liability of up to £85,598, but this liability is unlikely to materialise and no provision has been made in the accounts.

Northern Grid
Middlesbrough Council is a joint owner of Northern Grid. It is one of 7 Local Authority owners each with a Director on the Board. Central government funding will cease from the 31st March 2011 and alternative arrangements are being explored by the company and the Local Authority owners. The Northern Grid is an admitted body to the Tyne & Wear Local Government Pension Fund and there is a potential liability if the company is unable to continue.

45 Contingent Assets

At 31 March 2011, the Authority held the following contingent assets:

Public Private Partnership Bonds

As part of the Public Private Partnership with Mouchel Business Services Ltd there was a requirement for a performance bond of £6m. With effect from 1st November 2009 the value of the performance bond was reduced to £3m.

46 Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- **Credit risk**
  The possibility that other parties might fail to pay amounts due to the Authority
- **Liquidity risk**
  The possibility that the Authority might not have funds available to meet its commitments to make payments
- **Re-financing risk**
  The possibility that maturing borrowings, capital, project or partnership financing cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancing, both capital and current (revenue) and/or that the terms are inconsistent with prevailing market conditions at the time.
- **Market risk**
  The risk that, through adverse market fluctuations in the value of the principal sums the Authority invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

Overall procedures for managing risk

The Authority's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - The Authority's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures to the maturity structure of its debt;
    - Its maximum annual exposures to investments maturing beyond a year.

These are required to be reported and approved at or before the Authority's Annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 23/02/2010 and is available on the Authority's website. The key issues within the strategy were:

- The Authorised Limit for 2010/11 was set at £174m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £141.6m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 25% based on the Authority's net debt.

These policies are implemented by a Central Treasury Team. The Authority maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit Risk
Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with banks and financial institutions unless they meet minimum credit criteria, as laid down by Mitch and Foody's Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied. Details of the Investment Strategy can be found on the Authority's web-site.

The credit criteria in respect of financial assets held by the Authority are detailed in the organisation's Treasury Management Practices and are summarised below:

- For Approved Investments, the list of approved counterparties and the limits on exposure to each counterparty and group of associated counterparties must be determined by the Director of Resources in accordance with the Authority's Treasury Management Practice (TMP) 4 Approved Investments, Methods & Techniques
- Additions to the list of approved counterparties and associated limits can only be approved, in writing, by the Director of Resources
- Deletions from the approved list can be made by either the head of Investments & Treasury Management or the Treasury Manager.
- When the Authority contracts, or is intending to contract, with a third-party, the appropriate Standing Orders relating to contract, and Money Laundering Policy, are followed including, where appropriate, financial vetting.
- The use of credit rating agencies should be kept under review by the Director of Resources

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £29.5 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non recover applies to all of the Authority's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

The following analysis summarises the Authority's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions (if applicable – as this does not now cover normal money market deposits).

	Amount at 31 March 2011	Historical experience of default	Historical experience adjusted for market conditions	Estimated maximum exposure to default and uncollectability at 31 March 2011	Estimated maximum exposure at 31 March 2010
	£000	%	%	£000	£000
	A	B	C	(A x C)	
Bonds	0	0.0%	0.0%	0	0
Customers	484	4.4%	4.4%	21	20
				21	**20**

No credit limits were exceeded during the period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Authority does not generally allow credit for customers, such that £4,155,000 of the £9,323,000 balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	2009/10	2010/11
	£000s	£000s
Less than 3 months	1,834	830
Between 3 to 6 months	1,265	804
Between 6 months to one year	212	637
More than 1 year	1,582	1,884
	4,893	**4,155**

Collateral - The Authority initiates a legal charge on property were, for instance, clients require the assistance of social service but cannot afford to pay immediately. The total collateral at 31 March 2011 was £0.6 million.

Liquidity Risk
The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowing at a time of unfavourable interest rates. The authority sets limits on the proportion of its fixed rate borrowing during specified periods.
The maturity analysis of long term loans is as follows:

	2009/10	2010/11
	£000s	£000s
Between 1-2 years	5,000	6,500
Between 2-5 years	16,500	10,000
Between 5-10 years	0	0
Between 10-15 years	7,500	10,000
Between 15-20 years	13,000	10,500
Between 20-25 years	0	5,000
Between 25-30 years	10,000	5,000
Between 30-35 years	5,264	5,253
Between 35-40 years	0	500
More than 40 years	23,000	22,500
	80,264	**75,253**

All trade and other payables are due to be paid in less than one year.

Re-financing and Maturity Risk
The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Authority's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

Market Risk

Market Risk - Interest Rate risk
The Authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- Borrowings at fixed rates - the fair value of the liabilities for borrowings will fall
- Investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- Investments at fixed rates - the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 25% of its borrowings in variable rate loans. During periods of falling interest rates and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable of financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The Treasury Management Team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken is fixed or variable.

Given the current financial climate there is a negligible interest rate risk to the Authority.

Market Risk - Price risk
The Authority does not generally invest in equity shares but does have shareholdings to the value of £672,853 in Durham Tees Valley International Airport and SITA Tees Valley Ltd. The authority is consequently exposed to losses arising from movements in the prices of the shares.

Market Risk - Foreign exchange risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

47 Custodian Properties

The interest in the properties listed below passed to the Council on 1st April 1996 following the abolition of Cleveland County Council. In agreement with the Districts of the former County Council area, liabilities and benefits arising from the properties are shared between the four Districts.

Melrose House Freehold
Douglas House Freehold - site only (Sale proceeds received - legal transfer will take place once building requirements achieved)
Exchange House Freehold
51A Kings Road Freehold
Former County Depot, Cargo Fleet Lane Freehold
High Force House Leasehold
Aurora Court Leasehold
Cannon Street Trading
Lane Head
Stainsacre

48 Trust Funds

The Council administers 20 Trust Funds, which are varied in nature and relate principally to legacies left by local inhabitants of the area over a number of years. All funds are invested in external marketable securities; with any cash either being invested internally at 7-day interest rates or externally in the money market. None of the funds are included in the Balance Sheet of the Council.

	Fund Balance as 1 April 2010 £	**Surplus / (Deficit) £**	**Fund Balance as 31 March 2011 £**
Teesside Education Endowment Reg. Charity No. 514301 for the award of scholarships, bursaries and other financial assistance for those under the age of 25 years.	7,262	(19)	7,243
Sanderson Prize Reg. Charity No. 516308 provision of prizes for pupils at Acklam Grange School.	1,493	6	1,499
Haines Prize Reg. Charity No 516305 provision of prizes for pupils at Brackenhoe School, Middlesbrough.	4,852	21	4,873

	Fund Balance as 1 April 2010 £	Surplus / (Deficit) £	Fund Balance as 31 March 2011 £
Capt. J.V. Nancarrow Reg. Charity No 506937 for the award of scholarships, bursaries and other financial assistance to those under the age of 25 years.	108,641	(196)	108,445
Middlesbrough Educational Trust Fund Reg. Charity No. 532293 for the award of grants, scholarships, bursaries and other financial assistance to those under the age of 25 years	62,570	191	62,761
Hustler Playing Fields Reg. Charity No. 523381 to provide funding for a sports project at Grove Hill Youth and Community Centre for the Development of open spaces in Brookfield and Lingfield Park, Coulby Newham.	1,620,847	(44,961)	1,575,886
Miss Olive Scarr Reg. Charity No. 508539 Music Prizes at schools in Middlesbrough.	13,626	98	13,724
W.M. Anderton Reg. Charity 509198 Academic prizes for pupils of Kings Manor School and Acklam Sixth Form College.	1,332	6	1,338
Rev. J.W. Dales Reg. Charity No. 512215 to provide a university scholarship.	2,068	9	2,077
Teesside Relief in Sickness Reg. Charity No. 229137 to provide support to those with physical or health needs.	3,582	16	3,598
Settlement Hall Reg. Charity No. 226877 The provision of accommodation for social and religious purposes.	98,918	511	99,429
Lady Crossthwaite Bequest Reg. Charity No. 234932 To provide appropriate support and assistance to older people in Middlesbrough.	474,232	1,993	476,225
King Edward VII & Sister Purvis Convalescent Fund Reg. Charity No. 226433 to provide support and relief to those with physical/health needs and living in Middlesbrough, Grangetown, and South Bank areas of Redcar and Cleveland.	39,481	1,285	40,766

	Fund Balance as 1 April 2010 £	Surplus / (Deficit) £	Fund Balance as 31 March 2011 £
Wilson & Marwood Charity Reg. Charity No. 221291 To support disadvantaged people in St Hilda's Ward of Middlesbrough.	14,916	93	15,009
Stewart Park Reg. Charity No 507075 To provide a public park, recreation and pleasure ground and open space for the exercise, recreation and enjoyment of the people of the County Borough of Middlesbrough.	8,425	36	8,461
Middlesbrough Little Theatre Trust Reg. Charity No. 503828 The advancement of education by the promotion and encouragement of drama and arts. The assets of this trust do not have a carrying value in the accounts and it's annual operating deficit is paid by Middlesbrough Council. As a result there are no balances to disclose.	0	0	0
Sub - Total	**2,462,245**	**(40,911)**	**2,421,334**
Other Funds			
Levick Trust Reg. Charity No.255056 To provide accommodation and tenancies to people in need over the age of 60 and resident in Middlesbrough.	336,677	18	336,695
Captain Cook Birthplace Trust Reg. Charity No. 507317 To help support the work of the Captain Cook Birthplace Museum in Stewart Park Middlesbrough.	3,143	14	3,157
Dorman Museum and Art Gallery Appeal Trust. To support and assist the museum and art gallery, and to assist in the purchase or acquisition of items or works of art.	255	1	256
Brian Clough Memorial Statue Fund To collect funds by way of public donation in order to pay for the design, construction and erection of a memorial statue to the memory of Brain Clough.	0	0	0
Sub - Total	**340,075**	**33**	**340,108**
Total	**2,802,320**	**(40,878)**	**2,761,442**

49 Heritage Assets: Impact of the Adoption of the New Standard on the 2011/12 Financial Statements

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the authority in the 2011/12 financial statements.

The authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that been issued, but is not yet required to be adopted by the Authority, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Authority is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Authority's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. The heritage assets held by the authority are the collections of assets and artefacts either exhibited or stored in the local authority museum. The four principal collections of heritage assets held in the museum include:

ceramics, porcelain work and figurines,

the art collection,

pottery machinery and ephemera and

the archaeological collection.

The art collection is currently accounted for at depreciated historical cost (or where assets have been donated, at valuation, with the valuation being deemed a proxy for historical cost (see property, plant and equipment in the authority's summary of significant accounting policies in note 1 of the financial statements section XVI) and classified as community assets within Property, Plant and Equipment in the Balance Sheet. The remainder of the collection is not currently recognised in the financial statements as no information is available on the cost of the assets (these assets are held in the asset register of the Authority and detailed records are kept on each asset by the curators of the museum as is set out below, this includes insurance valuation information).

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). The 2011/12 Code will permit some relaxations in the valuation requirements of heritage assets and this will mean that the authority is able to recognise more of its collections of heritage assets in the Balance Sheet. The Authority anticipates that it will be able to recognise its ceramics, porcelain works and figurines collection on the Balance Sheet using at its base the detailed insurance valuations (which are based on market values) held by the Authority in respect of the collection. The authority is unlikely to be able to recognise the majority of the pottery machinery and ephemera

and the archaeological collection in future financial statements as it is of the view that obtaining valuations for the vast majority of these two collections would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the Authority's financial statements – this exemption is permitted by the 2011/12 Code.

The carrying value of heritage assets currently held in the Balance Sheet as Community Assets (at cost) within Property, Plant and Equipment at 1 April 2010 is £21.0m. As the authority does not hold a current valuation for Heritage Assets the impact of this accounting change cannot be quantified at this stage. The authority is currently in the process of quantifying the effect of this change.

There is no depreciation charged on the heritage assets that are currently classified as community assets because it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality. The Authority considers that the heritage assets held by the Authority will have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the authority's heritage assets.

50 Long Term Investments

	2009/10 £000s	2010/11 £000s
Cash on Long Term Deposit	3,019	0
Durham Tees Valley International Airport	364	364
SITA Tees Valley Ltd	309	309
Total	**3,692**	**673**

51 Long Term Debtors

	2009/10 £000s	2010/11 £000s
MBC Mortgages	68	57
Probation Capital	294	285
Insurance Fund	80	90
Magistrates	275	242
Car Loans	378	387
Total	**1,095**	**1,061**

Collection Fund Income and Expenditure Account

2009/10 £'000		Notes	2010/11 £'000
	Income		
42,646	Council Tax	1	**42,986**
	Transfers from General Fund		
16,576	Council Tax Benefits		17,382
0	Transitional Relief	1	(1)
39,075	Income from Business Rate Payers	2,6	35,944
	Contributions		
	Towards Previous Years Estimate		
(79)	Collection Fund (Surplus) / Deficit	3,4	357
0	Bad Debts provision		0
98,218	**Total Income**		**96,668**
	Expenditure		
	Precepts and Demands:		
49,180	Middlesbrough Council		50,242
7,289	Cleveland Police Authority		7,478
2,459	Cleveland Fire Authority		2,547
	Business Rates		
38,888	Payments to National Pool		35,761
187	Costs of Collection		183
	Bad & Doubtful Debts		
63	Write Offs		134
300	Provisions		22
98,366	**Total Expenditure**		**96,367**
(148)	**Movement on Fund Balance**	5	**301**

Notes to the Collection Fund Income and Expenditure Account

1 Income from Council Tax

Calculation of the Council Tax Base

The Council Tax replaced the Community Charge on the 1st April 1993 and is a tax based on property valuation bandings (A to H). There is a basic tax for the middle band (Band D) with proportionately higher and lower taxes for the other bands. The Council's tax base i.e. the number of chargeable dwellings in each band (adjusted for discounts where applicable), converted to an equivalent number of Band D dwellings was calculated as follows:

Band	Estimated No. of Taxable Properties after Discounts	Ratio	Band D Equivalent Council Tax£000	Band D Equivalent Dwellings
A*	59	+5/9	50	33
A	27,239	+6/9	27,484	18,159
B	8,409	+7/9	9,898	6,540
C	9,060	+8/9	12,190	8,054
D	4,180	+9/9	6,326	4,180
E	1,713	+11/9	3,169	2,094
F	607	+13/9	1,326	876
G	377	+15/9	952	629
H	30	+18/9	91	60
Less : Adjustments for assumed non-collection based on budgets assumption of 98% collection rate			1,230	813
Total			**60,256**	**39,812**

A* - Band A Properties receiving Disabled Relief

The average Council Tax for Band D dwellings for the Council and major Precepting authorities was £1,513.50

Council Tax Income

	2009/10 £000s	2010/11 £000s
Estimated Income (as per CTB1 budget setting)	58,921	60,256
Add: Estimated Doubtful Debts	1,202	1,230
Estimated Income (as per CTB1 budget setting)	**60,123**	**61,486**
Add: Impact of changes in discounts & exemptions between CTB1 and billing	(8)	97
Total Council Tax Billed	**60,115**	**61,583**
Less: Council Tax Benefit	(16,576)	(17,382)
Add: Transitional Relief	0	2
	43,539	**44,203**
Less: Impact of changes in discounts & exemptions between annual billing & the 31st March.	(893)	(1,217)
Income from Council Tax	**42,646**	**42,986**

2 Income from Business Ratepayers

Under the arrangements for uniform business rates the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform (national) rate. The total amount after deduction of certain reliefs and other allowable deductions is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of resident population. The total non-domestic rateable value at 31st March 2011 was £110,542,512 and the national non-domestic multiplier for the year was 41.4p.

3 Previous Year's Council Tax Surplus (Deficit)

The estimated previous year's Council tax deficits / surplus are payable to / from the Collection Fund by the Billing Authority and the major Precepting Authorities in proportion to amounts raised or owing.

	2009/10 £000s	2010/11 £000s
Middlesbrough Borough Council	(66)	298
Cleveland Police Authority	(10)	44
Cleveland Fire Authority	(3)	15
Total Surplus (Deficit)	**(79)**	**357**

4 Previous Year's Community Charge Surplus

The estimated previous years Community Charge surplus/deficit is nil.

5 Movements on Fund Balances

	£000s
Balance as at 1st April 2010	(249)
The movement on the Fund Balance consists of:	
Community Charge	0
Council Tax	301
Balance as at 31st March 2011	**52**

The Collection Fund balance is split to the Billing Authority and the major Precepting Authorities as follows:-	
Middlesbrough Borough Council	43
Cleveland Police Authority	7
Cleveland Fire Authority	2
	52

6 NNDR Income Reconciliation

	£000s	2010/11 £000s
Estimated Income		
Gross Rateable Value	110,543	
Multiplier (pence in the £)	41.4	45,765
Less: Voids	(1,033)	
Less: Exemptions	(2,852)	(3,885)
Estimated Opening Debit		**41,880**
Actual Income		
Actual Opening Debit	46,336	
Additional Debit / Credit	(2,131)	44,205
Discretionary Relief	(41)	
Empty Rates Loss	(2,852)	
Hardship Relief	(139)	
Interest on Overpayments	(30)	
Losses in Collection	(659)	
Mandatory Relief	(2,969)	
Part Occupation Allowance	(63)	
Transitional Relief	693	
Small Business Relief	(1,168)	
Void Rates Loss	(1,033)	(8,261)
Actual Income Collectable for All Years		**35,944**

7 Council Tax and NNDR Bad Debt Provision

The bad debt provision calculation for Council Tax and NNDR has been developed following a review carried out by an external consultant on the likely levels of Collection Fund debt recovery.

For Council Tax debt, a provision of between 80% & 100% is made for all debt over three years old. Following a further review a provision of between 5% and 35% is made for debt between one and three years old depending on the category of debtor. A provision of 25% is made for all debt less than a year old apart from debt pending write off, for which a provision of 100% is made.

For NNDR debt a provision of 25% is made for all debt less than a year. A provision of between 5% to 50% for debt of one to three years depending on the category of debtor. For debt over three years old a provision of 100% is provided.

Section 6: Teesside Pension Fund

Chairman's Introduction

In contrast to the previous 2 years when the Fund experienced something of a roller coaster ride, 2010/11 was, in performance terms, a relatively sedate year. However the same cannot be said of the debate that was conducted on the subject of Public Sector Pensions, particularly around the time of the publication of the Hutton report.

The debate for much of the year was of varying quality, the input ranging from considered and serious contributions at one end of the spectrum to ill-informed hysteria at the other. It was particularly noticeable that the fact that the different public sector schemes have very different funding arrangements was missing from most of the discussions.

The Local Government Pension Scheme is unusual in the public sector pensions arena in that it is a funded scheme, the contributions of employers and members are invested to provide a fund from which future liabilities can be drawn. The adequacy of this fund to meet future liabilities is assessed every three years by our Fund Actuary, Barnett Waddingham, which carries out a valuation.

The purpose of this valuation is to calculate the 'Funding Level' of the scheme – the extent to which the Fund's assets are able to meet its liabilities - and to set the contributions rates to be paid by the employers in the Scheme. During the year the Actuary finalised the results of the 2010 valuation which revealed, contrary to what might have been assumed from some of the general press coverage, that the Teesside Pension Fund had a funding level of 99% at 31st March 2010. The fact that there is virtually no deficit to recover has meant that the contribution rates for some employers in the Fund have fallen in 2011/12, releasing funds to assist them in meeting their budgetary challenges.

The financial performance of the Fund in the year to 31st March 2011 was positive, the Fund's value increasing by 9% to £2,586 million. This relatively modest rise occurred on the back of the continued worldwide recovery in equity prices. The Fund has around 80% of its assets invested in equity holdings so equity market rises result in a very positive impact.

The membership of the Fund continues to increase, with total membership at the year end now standing at just under 61,388, an increase of 1,799 over last year. However the impact of the current depressed economic situation is shown by the fact that, for the second consecutive year and the third year in the last 5, the number of active, contributing members has fallen. Contributing to this fall were a significant number of early retirements, particularly towards the year end, as some of our major employers engaged in further voluntary redundancy exercises. Where a member retires early it is the policy of the Teesside Pension Fund to recharge the actuarial cost of the retirement to the employer. This policy has the advantages that the Fund recovers the cost of an early retirement at the outset, and that, for the employer, the impact of retirement decisions is transparent, the cost is invoiced separately rather than

being recovered in the employers Contribution Rate, which was once the case. In this financial year the Fund received over £9.2 million from these early retirement recharges, slightly down on last year figure of £10.6 million, but still well above the level of charges in recent years.
I am sure that there will be further turbulent times ahead as the world's major economies struggle to recover from the current debt and budgetary crises. However I am confident that our Fund will continue to be well run and expertly managed, and that we will be able to ride whatever waves we encounter.

Nature of the Scheme
The Teesside Pension Fund (the Fund) is part of the Local Government Pension Scheme. From April 2008 the scheme was governed by new regulations, as follows;

- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007
- The Local Government Pension Scheme (Administration) Regulations 2008, and
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008

These regulations replaced the Local Government Pension Scheme Regulations 1997 (as amended) and have made significant changes to the scheme. A comparison of the provisions of the 'old' and 'new' schemes are given on page 67.

Full details of the changes to the Scheme, along with updated scheme guides, are on our website at www.teespen.org.uk.

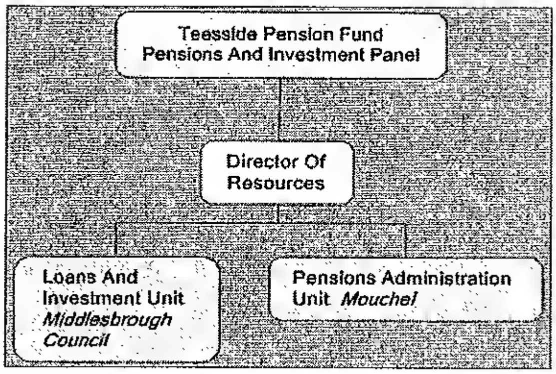
The Regulations specify the pensions and other benefits payable and fix the rates of member contributions. Employer contributions are set every three years by the Fund's Actuary. The purpose of the Fund is to provide retirement benefits for local authority employees in the Teesside area and other bodies admitted by agreement. The Fund is administered by Middlesbrough Council on behalf of all participating employers. A full list of participating organisations is given in the Membership section below.

The Fund is financed by way of contributions from employers and employees, based upon a percentage of pensionable pay, and supplemented by earnings from Fund investments. The surplus funds, after payment of benefits, are invested by an Investment Panel. The Panel comprises elected members of Middlesbrough Council, representatives of the other unitary authorities, the Trade Unions and the Fund's Investment Advisers.

Investments are regulated by the Trustees Act 1961, and the Local Government Act 1972, as amended by Local Government Pension Regulations.

Section 6: Teesside Pension Fund

Management of the Fund



The Fund is administered by Middlesbrough Council via the Teesside Pension Fund Pensions and Investment Panel which has plenary powers to make decisions without reference to the Council. This panel acts in a similar manner to the Board of Trustees of a private sector pension fund.

The day to day running of the Teesside Pension Fund is delegated to the Director of Resources of Middlesbrough Council who is responsible for implementing the strategies and policies set by the Pensions and Investment Panel. Supporting him is a team of staff split into two units. The Pensions Administration Unit is responsible for the calculation and payment of pension benefits and for looking after employer interests in the Fund. The Loans and Investment Unit manages the investment of the Fund in conjunction with the advice of the Fund's external Investment Advisors.

The Teesside Pension Fund Pensions and Investment Panel

Panel membership during the year;

Members	**With voting rights**
Chair	Councillor A Majid
Vice Chair	Councillor SE Bloundele
Middlesbrough Council	Councillor J Brunton
	Councillor S Carter
	Councillor JG Cole
	Councillor BA Hubbard
	Councillor T Mawston
	Councillor J Rostron
	Councillor P Thompson
	Councillor K Walker
	Councillor NJ Walker
	Councillor M Whatley
Redcar & Cleveland BC	Councillor P Scott
	Councillor N Pickthall
Stockton BC	Councillor R Rix
Hartlepool BC	Councillor T Rogan
	Without voting rights
Other Employers	Mr P Fleck
Trades Unions	Unison, GMB and ACTS

Section 6: Teesside Pension Fund

The current Panel consists of representatives from all the district councils in the former Cleveland County area as well as representatives from the Trade Unions. The Panel held 4 quarterly meetings during the year.

The size and political make-up of the Panel is determined annually by Middlesbrough Council, and the Councillors are then nominated by each political party. Representatives of the other district Councils are nominated by them. The 'Other Employers' representative is chosen by election by the admitted bodies of the Fund.

Terms of Reference – Teesside Pension Fund & Investment Panel

Terms of Reference

1. For Members of the Council to act as Trustees of the Fund.
2. To have delegated powers to manage the investments of the Fund within the requirements of the Local Government Pension Scheme Regulation as amended from time to time.
3. To manage the Fund in accordance with the Management Agreement:
   - (i) to ensure that the Fund complies with the Local Government Pension Scheme Regulations 1997 (as amended), the Inland Revenue requirements for Pension Funds and any other relevant statutory provision.
   - (ii) the selection, appointment and dismissal of investment managers, scheme administrators, independent advisors and ad hoc advisors.
   - (iii) the formulation of investment strategy and risks strategy for the Fund under its stewardship, after receiving advice from its independent advisors and the Loans and Investment Manager.
   - (iv) Setting investments targets and monitoring the investment performance and financial control of the Funds' assets and commissioning the preparation of actuarial valuations and accounts.
   - (v) Ensuring that value for money is achieved from all the specialists supplying services to the Fund through a competitive and qualitative selection process and through budgetary control.
   - (vi) Commissioning any actuarial valuation and taking appropriate action in the light thereof.
   - (vii) Receiving and agreeing the annual report and accounts.
   - (viii) Ensuring effective communication with scheme members and pensioners.
   - (ix) Receiving and dealing with general complaints from scheme members and pensioners.

(x) To determine the exercise of the discretions allowed to the administering authority, as laid down in the Local Government Pension Scheme Regulations 1997.

(xii) Any other responsibilities delegated to it by the Authority.

(xii) To submit an annual report to Council.

Fund Administrators and Advisors

Administration

Director of Resources	Mr Paul Slocombe
Head of Investments	Mr Fred Green
Pensions Administration Manager	Mr Mike Hopwood
Solicitor to the Fund	Mr Richard Long

Advisors to the Fund

Actuary	Barnett Waddingham LLP
Solicitors	Nabarro LLP
Auditors	Deloitte LLP
Investment Advisors	Mr John Hemingway Mr Peter Moon
Property Managers	Liverpool Victoria
Custodian	Northern Trust Company
AVC Providers	Prudential Assurance, Century Life
Bankers	National Westminster Bank plc The Co-operative Bank plc– appointed 01.04.2011

The Pensions Landscape

The pensions arena has had a busy year. Although there haven't been as many scheme specific changes to the LGPS as in recent years, there have been major developments for public sector pensions generally and to overriding legislation. Included below are a few of the changes that have impacted upon public sector pensions and the LGPS in particular.

Hutton report

The Hutton report is a series of recommendations to the government on how public sector pensions should take shape to reflect cost pressures and changing circumstances. There are 27 recommendations in the report covering key areas of public sector pensions:

Scheme design: A proposed move to a CARE (Career Average Revalued Earnings) structure and not the current final salary model

Costs: A review of scheme pension ages plus a fixed cost ceiling for employers

Governance: Recommends independent oversight of all public sector schemes but also retaining individual local government funds

Administration: Recommends that standards of good practice be applied to the administration of all public service schemes.

The government announced in the Budget that it supported all the recommendations in the report indicating that they would be adopted in full as a starting point for future policy subject to consultation.

Nothing has been finalised

The government has indicated its support for the recommendations but consultation with all interested parties needs to take place before changes take place. This includes unions and other member bodies, so the end policies could be different to the proposals.

There will not be any immediate changes

The report is only the start of a long process. The report recommends that the changes should be in place by 2015, but it is not likely to be before then.

Pension earned up to any change is safe

When any change to the way the local government pension is calculated does happen, the pension based on service and pay up to then is not affected. The report recommends that the service up to the change keeps its link to final pay.

There will still be an earnings based scheme

The report is strongly against a move to public sector schemes becoming "money purchase" schemes- where members have their own pension 'pot' and the amount of pension is based on the amount paid in, investment returns and what the 'pot' can buy at retirement on the open market. Instead there could be a CARE (Career Average Re-valued Earnings) scheme.

Overriding changes

Changes to pension saving taxation

The current government abandoned previous pensions taxation proposals and introduced new restrictions on the level of pensions saving before tax is applied.

From April 2011 HMRC made some changes to the allowances applicable to pensions:

"Annual Allowance" is the amount by which any pension "pots" across all schemes can grow over a year without being taxed. This had been set at £255,000 per year, but this has dropped to £50,000 from April 2011.

"Lifetime Allowance" is the total amount of pension savings that can be built up prior to retirement without paying a tax charge on that saving. Currently, the lifetime allowance is £1.8million but from April 2012 this will reduce to £1.5million.

These changes only affect a small proportion of the Fund members

Section 6: Teesside Pension Fund

Change to CPI from RPI

The government announced in the Budget that the preferred measure for the increase to public sector pensions would change from the Retail Price Index (RPI) to the Consumer Price Index (CPI). The justification for the change is that this measure of inflation better reflects pensioner experience as it excludes mortgage payments.

CPI has been historically slightly lower than RPI, but has been more stable (CPI would not have led to the zero increase that applied to pensions in payment in April 2010). The pension increase applied in April 2011, the first using CPI, was 3.1%. The change has had an impact on the factors used in calculating transfer values into and out of pension funds which has produced additional work for our Pensions Administration Unit.

Finance Act 2004

The minimum age for payment of pension from the LGPS rose from 50 to 55 (other than on the grounds of ill health) from April 2010. Although members can only bring their benefits into payment from age 60, this does affect redundancy cases that could previously have benefits brought into payment from age 50.

Scheme specific changes

Extension of partner benefits within the LGPS

Previously, for active members of the Fund, service before April 1988 wasn't included in the calculation of civil or cohabiting partner benefits. This has now been granted to civil partners and can be extended, under purchase arrangements, to cohabiting partners.

Aggregation

New members of the Fund have the option to link together ("aggregate") earlier LGPS service with their ongoing record. This had been limited to transferring the most recent LGPS period to the Fund. Earlier periods that had not been linked to this last record could not be brought in. This has now been altered to allow earlier periods to be aggregated with the current record.

Ill health

The LGPS permits access to pension benefits where a member has left their employment through ill health and meets the stringent LGPS criteria necessary for release. One of three levels of benefits can be paid dependent upon the degree of infirmity. The lowest of these benefits is only payable for three years and is then suspended until the scheme retirement age of 65. The rules have been changed to allow access to these benefits from age 60 subject to reduction.

The Fund, Employers and the Pensions Unit have been busy over the past year communicating and applying the changes. Given the Hutton Report, this doesn't look as though it will end soon.

Section 6: Teesside Pension Fund

Actuarial Valuation of the Fund

Every three years the Fund is required to appoint a suitably qualified actuary to assess solvency and to measure the level of assets compared to liabilities. This process is known as a valuation and the most recent one, carried out by the actuarial firm Barnett Waddingham, valued the Fund as at 31 March 2010. The principal conclusions of this valuation were:

- The ongoing funding level of the Fund on 31 March 2010 was 99% (2007 – 98.3%).
- The shortfall of assets compared to the past service liabilities was £17 million (2007 - £34m).
- The modest improvement in the funding level was due to the following offsetting factors:
  - the beneficial effect of the change from RPI to CPI in the future calculation of Pension increases, and
  - the negative impact of lower returns on investments than had been assumed in the 2007 valuation
- The contribution rates certified have been set to fund the deficiency in the Fund over 14 years (2007 - 17 years).
- The average cost of accruing benefits payable by the employers, including administration expenses and lump sum death in service benefits, is 14.6% of pensionable pay.
- The shortfall of assets over the past service liabilities requires a past service adjustment, to fund the deficit over a period of 14 years, of 0.3% of pensionable pay. The total rate of 14.9% (2007 - 15.2%) of pay is the Common Contribution Rate.

In accordance with the provisions of the Regulations the next triennial valuation of the Fund is due to be carried out as at 31 March 2013.

Membership

In the 2010/11 financial year the total membership of the Fund has increased by 1,799, and over the last 10 years has risen by 49%, to the current total of 61,388. The principal reason for the steady annual increase in membership of the Fund was a change in the LGPS regulations which came into effect on 1 April 2004. This change restricted the number of members entitled to withdraw from the scheme and receive a refund of their contributions. From that point on, refunds were only available to members who had less than 3 months scheme membership rather than the 2 year limit which had previously been in place.

The number of deferred members of the scheme has risen by 75% in the last 5 years and now forms 30% of the total membership.

Section 6: Teesside Pension Fund

Membership Numbers

	2007	2008	2009	2010	2011
Active	25,770	25,577	25,718	24,831	24,341
Deferred	12,810	14,911	16,044	17,320	18,609
Pensioner	15,462	16,101	16,736	17,438	18,438
Total	**54,042**	**56,589**	**58,498**	**59,589**	**61,388**

Summary of Membership Changes

	Active Members	Deferred Members	Pensioners Members	Dependants	Total
At 1/04/10	**24,831**	**17,320**	**15056**	**2,382**	**59,589**
Adjustments	-195	46	203	20	**74**
New Members	2,025	187	0	184	**2,396**
Change in Status	96	1,691	1095	0	**2,882**
Leavers	-2,416	-635	-404	-98	**-3,553**
At 31/03/10	**24,341**	**18,609**	**15,950**	**2,488**	**61,388**
% Of Total 1/04/09	**41.7%**	**29.1%**	**25.3%**	**4.0%**	**100.0%**
% Of Total 1/04/10	**39.7%**	**30.3%**	**26.0%**	**4.1%**	**100.0%**

Participating Employer changes

During the year 10 employers joined the scheme as admitted bodies, and 2 employers ceased to have active members in the scheme. At the year end the Fund had 71 employers with active members.

A full list of participating employers and their membership numbers is shown overleaf.

Section 6: Teesside Pension Fund

Membership by Employer at 31 March 2011

	Current Employers	Active Members	Deferred Members	Pensioners - Members	Pensioners - Dependants	2010/11 Total	2009/10 Total
1	Stockton BC	5,974	4,290	2,481	349	**13,094**	**12,565**
2	Middlesbrough BC	4,258	3,788	2,406	374	**10,826**	**10,373**
3	Redcar & Cleveland BC	4,306	2,892	2,179	279	**9,656**	**9,378**
4	Hartlepool BC	3,065	2,273	1,382	245	**6,965**	**6,940**
5	University of Teesside	1,057	614	319	49	**2,039**	**1,964**
6	CSCI	2	575	441	28	**1,046**	**1,871**
7	Cleveland Police Authority	421	264	199	11	**895**	**1,370**
8	Care Quality Commission	711	53	51	2	**817**	**2**
9	Durham Tees Valley Probation Trust	546	83	56	8	**693**	**0**
10	Mouchel	413	97	152	8	**670**	**677**
11	Coast & Country Housing	353	153	117	4	**627**	**609**
12	Middlesbrough College	212	245	99	8	**564**	**556**
13	Steria	452	1	2	0	**455**	**0**
14	Tristar Homes	286	99	49	4	**438**	**417**
15	Erimus Housing	239	66	78	7	**390**	**395**
16	Hartlepool College of FE	161	124	57	14	**356**	**338**
17	Stockton Riverside College	161	128	53	7	**349**	**320**
18	Housing Hartlepool	236	57	32	0	**325**	**321**
19	Beamish	73	111	77	8	**269**	**263**
20	Cleveland Probation	8	130	108	10	**256**	**553**
21	Durham and Tees Valley Airport	53	78	86	32	**249**	**250**
22	Cleveland Fire Authority	143	48	38	2	**231**	**227**
23	Cleveland College of Art & Design	103	57	44	3	**207**	**183**
24	Tees Active Ltd	137	49	12	1	**199**	**191**
25	Tees Valley Leisure	109	71	17	2	**199**	**195**
26	Redcar & Cleveland College	68	74	45	1	**188**	**182**
27	Magistrates Court	1	143	41	2	**187**	**190**
28	Transit Stagecoach	28	23	120	10	**181**	**184**
29	Liberata	44	51	45	4	**144**	**148**
30	Unity City Academy	73	52	13	1	**139**	**129**

Section 6: Teesside Pension Fund

	Current Employers	Active Members	Deferred Members	Pensioners - Members	Pensioners - Dependants	2010/11 Total	2009/10 Total
31	MacMillan Academy	78	39	4	1	**122**	**112**
32	Business & Enterprise NE	37	57	24	3	**121**	**123**
33	Kings Academy	75	19	13	1	**108**	**96**
34	Prior Pursglove College	66	19	15	1	**101**	**89**
35	CIC	11	36	47	0	**94**	**94**
36	Hartlepool Stagecoach	2	28	39	4	**73**	**73**
37	Fabrick Housing	58	4	3	0	**65**	**68**
38	St Marys College	24	20	7	1	**52**	**52**
39	Hartlepool 6th Form	22	14	10	1	**47**	**46**
40	Carillion PLC	30	11	3	0	**44**	**44**
41	Thornaby Academy	42	2	0	0	**44**	**0**
42	Open College Network	21	15	5	0	**41**	**41**
43	Freebrough Academy	37	2	0	0	**39**	**0**
44	Stockton 6th Form College	20	9	6	0	35	**31**
45	RSTM Custody Services	15	18	1	0	34	**35**
46	Five Rivers	10	9	2	0	**21**	**21**
47	Carillion Government Services	16	0	2	0	**18**	**18**
48	Learning and Skills Council	17	0	0	0	**17**	**0**
49	Vale Contract Services	12	0	0	0	**12**	**12**
50	OCS	5	2	3	0	**10**	**10**
51	Ofsted	3	2	4	0	**9**	**10**
52	CMSL Ryehills Catering	1	6	1	0	**8**	**9**
53	Guisborough Town Council	2	1	4	0	**7**	**7**
54	North Shore Academy	6	1	0	0	**7**	**0**
55	Taylor Shaw Ltd	6	0	0	0	**6**	**0**
56	Reliance Secure Task management	4	1	0	0	**5**	**5**
57	Future Regeneration of Grangetown	1	4	0	0	**5**	**5**
58	Saltburn & Marske PC	2	2	1	0	**5**	**5**

Section 6: Teesside Pension Fund

	Current Employers	Active Members	Deferred Members	Pensioners - Members	Pensioners - Dependants	2010/11 Total	2009/10 Total
59	RM Education Ltd	5	0	0	0	**5**	**0**
60	Forward Swindon	5	0	0	0	**5**	**0**
61	Loftus Town Council	3	1	0	0	**4**	**4**
62	Nextiraone (Mouchel)	1	1	1	0	**3**	**3**
63	Crime Reduction Initiative	1	2	0	0	**3**	**3**
64	Newtown Community Stockton On-line	1	1	0	0	**2**	**2**
65	Nextiraone (SBC)	1	1	0	0	**2**	**2**
66	John Flowers Ltd	2	0	0	0	**2**	**0**
67	Dimensions UK Ltd	1	0	0	0	**1**	**1**
68	Ingleby Barwick Town Council	1	0	0	0	**1**	**1**
69	Yarm Town Council	1	0	0	0	**1**	**1**
70	Cleveland Fire Support Network	1	0	0	0	**1**	1
71	Five Lamps Organisation	1	0	0	0	**1**	**1**
	Inactive Employers	1	1,593	4,956	1,003	**7,553**	7,773
		24,341	**18,609**	**15,950**	**2,488**	**61,388**	**59,589**

Fund Accounts for the year ended 31 March

2009/10 £'000		Notes	2010/11 £'000
	Contributions and Benefits		
100,277	Contributions	4	**99,207**
11,964	Transfers in	5	8,624
10,663	Other income	6	9,297
122,904			117,128
90,544	Benefits	7	101,511
14,126	Leavers	8	10,380
1,523	Administrative expenses	9	1,561
106,193			113,452
16,711	**Net additions from dealings with members**		**3,676**
	Returns on investment		
60,530	Investment income	10	66,136
594,706	Change in market value of investments	11	146,314
(1,191)	Investment management expenses	12	(1,253)
654,045	**Net returns on investments**		**211,197**
670,756	**Net increase /(decrease) in the Fund during the year**		**214,873**
1,700,866	**Net assets of the scheme as at 1st April**		**2,371,622**
2,371,622	**Net assets of the scheme as at 31st March**		**2,586,495**

Net Assets Statement as at 31 March

2009/10 £'000		Notes	2010/11 £'000
2,350,040	Investments Assets	11	2,565,629
22,286	Current Assets	13	21,234
1,653	Debtors due over 1 year	14	3,124
(2,357)	Current liabilities	15	(3,492)
2,371,622	**Net assets of the scheme at 31st March**		**2,586,495**

The financial statements summarise the transactions of the scheme and deal with the net assets at the disposal of the Administering Authority. They do not take account of obligations to pay pensions and benefits that fall due after the end of the scheme year.

Notes to the Financial Statements

1 Basis of Preparation

The financial statements have been prepared in accordance with the Local Government Pension Scheme Regulations 2008 (as amended) and with the guidelines set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 having regard to the Statement of Recommended Practice: Financial Reports on Pensions Schemes (revised May 2007).

2 Accounting Policies

Basis on which Debtors and Creditors are included in the Accounts

The accruals concept has been observed in the preparation of the accounts with the following exception. Transfer values payable and receivable are accounted for on a cash basis rather than when they are agreed. The difference when compared with the accruals basis is not regarded as material.

Valuation of Investments

Investments have been included in the Net Assets Statement at their market value as at 31 March 2011 as provided by the Fund's custodians. Quoted UK securities are valued at the bid price based on the quotations in the Stock Exchange Daily Official List. Overseas quoted securities are similarly valued at bid price from overseas stock exchanges, translated at closing rates of exchange. Unquoted investments are valued by officers based on the cost of those investments unless other evidence exists.

The acquisition costs of investments are accounted for as part of the cost of investments.

Property is valued annually by a qualified valuer in accordance with the "Royal Institute of Chartered Surveyors" valuation standards

Property expenses

The change in Property manager to Liverpool Victoria from 01/04/2009 brought a change in the way Property Management Fees and property expenses are paid and accounted for. The previous manager's practice had been for fees and property expenses to be deducted from rent before it was paid to the Fund. Under the new manager fees and expenses were paid and accounted for separately, and disclosed in Investment Management fees. However this treatment was felt to materially distort the Management fees and was inconsistent with the previous accounting treatment. Accordingly in 2011 these expenses have been deducted from the Gross Rental income received, and the prior year figures have been restated.

Foreign exchange
Assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the Fund year end date.

Custody and Security of Investments
Most investments are held in nominee name by the Fund's Global Custodian, the Northern Trust Company. Exceptions to this are directly owned properties, money markets cash deposits and specified unquoted investments, which would be registered in the name of the administering authority.

Where the Custodian does not provide a custody service in their own right, they utilise third party Sub Custodians, who are appointed by the Custodian.

In verifying the security of investments held, reliance is placed, in part, upon assurances provided by the Custodian's external auditor. Additionally the Custodian is subject to regulatory oversight by the Financial Services Authority. As a global business the level of control, oversight and protection is subject to relevant legislation in each country.

The agreement between the Fund and the Custodian provides for certain indemnities where there has been loss as a result or action or inaction by the Custodian or its Sub Custodians. This is supported by limited insurance cover procured by the Custodian

Disposal of Investments
Profits and losses on the disposal of investments are realised when the transactions are legally complete.

Dividends
Dividends from quoted securities are accounted for when they become ex-dividend.

Interest on Cash Balances
All surplus cash balances of the Fund are invested externally, interest being credited to the Fund.

Pension Liabilities
The accounts summarise the transactions and net assets of the Fund. They do not take account of liabilities to pay pensions and other benefits in the future. The actuarial position of the Fund, which does take account of such liabilities, is dealt with in the notes relating to the most recent actuarial valuation.

Rental Income
Rental income is accounted for on an accruals basis.

Contributions
Contributions are accounted for in the period in which they fall due. Normal contributions received during the year have been paid in accordance with the rates and adjustments certificate.

Benefits
Benefits are accounted for in the period in which they fall due. All benefits are calculated in accordance with the statutory regulations in force at the relevant benefit date.

Administrative Expenses
The administrative expenses of the Fund are incurred by the Administering Authority and are recharged to the Pension Fund periodically during the year. Expenses for Actuarial, Audit and Legal fees are paid directly by the Fund.

Contingent Liabilities
The Pension Fund has no contingent liabilities.

3 Transition to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in no material changes to the Teesside Pension fund accounts or its associated notes.

4 Contributions

		2009/10 £000's	2010/11 £000's
Employers	Normal	70,437	70,198
	Deficit Funding	830	280
Members	Normal	29,010	28,729
		100,277	**99,207**

The actuarial valuation at 31 March 2010 calculated that the Fund was 99% funded, with the remaining 1% deficit to be recovered over a period of 14 years with a common contribution rate of 14.9%.

Analysis of Total Contributions

	2009/10 £000's	2010/11 £000's
Administering Authority	17,852	17,216
Scheduled Bodies	63,124	64,042
Admitted Bodies	19,301	17,949
	100,277	**99,207**

5 Transfers in

	2009/10 £000's	2010/11 £000's
Individual transfers in from other schemes	**11,964**	**8,624**

6 Other income

	2009/10 £000's	2010/11 £000's
Capital Costs of Early Retirements	10,601	9,237
Other income	62	60
	10,663	**9,297**

7 Benefits

	2009/10 £000's	2010/11 £000's
Pensions	65,268	70,532
Commutations and lump sum retirement benefits	22,378	29,662
Lump sum death benefits	2,898	1,317
	90,544	**101,511**

Analysis of Total Benefits

	2009/10 £000's	2010/11 £000's
Administering Authority	20,694	24,537
Scheduled Bodies	52,928	59,347
Admitted Bodies	16,922	17,627
	90,544	**101,511**

8 Leavers

	2009/10 £000's	2010/11 £000's
Refunds to members leaving service	7	12
Payments for members joining state scheme	(2)	0
Individual transfers to other schemes	14,121	10,368
	14,126	**10,380**

9 Administrative Expenses

	2009/10 £000's	2010/11 £000's
Administration and processing	1,454	1,479
Actuarial Fees	21	28
Audit Fee	43	60
Provision for Bad Debts	5	(6)
	1,523	**1,561**

10 Investment Income

	2009/10 £000's	2010/11 £000's
Income from fixed interest securities	5,617	5,063
Dividends from equities	40,847	46,565
Income from Index-Linked Securities	1,143	1,038
Income from pooled investment vehicles	5,593	5,696
Net rents from properties (see note below)	5,925	6,673
Interest on cash deposits	1,405	1,101
	60,530	**66,136**

Rental Income and Property Expenses

As a result of the change in Property Managers, property expenses were included in Investment Management expenses in 2009/10 rather than against Rental Income which had previously been the policy. In 2011, in the interests of consistency these expenses have been deducted from Rental Income and the prior year figures re-stated, as follows;

	2009/10 £000's	2010/11 £000's
Gross Rental income	6,295	6,737
Property Expenses	(370)	(64)
Net Rents from Properties	**5,925**	**6,673**

11 Investment Assets

	Value at 31/03/10 £000's	Purchases at cost £000's	Sale Proceeds £000's	Change in Market Value £000's	Value at 31/03/11 £000's
Fixed interest securities	149,204	51,238	(59,640)	781	141,583
Equities	1,481,663	128,052	(91,005)	96,867	1,615,577
Index-linked securities	54,784	28,419	(14,404)	2,126	70,925
Pooled Investment Vehicles	455,638	17,255	(12,264)	44,163	504,792
Properties	88,370	7,994	(61)	2,377	98,680
	2,229,659	**232,958**	**(177,374)**	**146,314**	**2,431,557**
Cash Deposits	99,800				111,700
Other Investment Balances	20,581				22,372
	2,350,040				**2,565,629**

Change in Market Value

The change in the market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments

during the year.

Transaction Costs

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £796,277 (2010 – £795,627). In addition to the transaction costs disclosed here, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Fund.

Geographical Analysis of Investments

	2009/10 £000's	%	2010/11 £000's	%
United Kingdom	1,285,805	58%	1,375,363	57%
United States	153,922	7%	193,565	8%
Japan	106,814	5%	108,273	4%
Australia	63,171	3%	77,023	3%
China	60,871	3%	69,782	3%
Pacific Region	61,208	3%	68,854	3%
Germany	54,469	2%	59,863	2%
France	59,749	3%	57,655	2%
Hong Kong	44,820	2%	55,865	2%
Singapore	34,832	2%	40,815	2%
Others	303,998	12%	324,499	14%
Total	**2,229,659**	**100%**	**2,431,557**	**100%**

Fixed Interest Securities

	2009/10 £000's	2010/11 £000's
UK public sector quoted	50,671	38,515
Overseas public sector quoted	98,533	103,068
	149,204	**141,583**

Equities

	2009/10 £000's	2010/11 £000's
UK quoted	833,628	879,870
Overseas quoted	648,035	735,707
	1,481,663	**1,615,577**

Index-linked securities

	2009/10 £000's	2010/11 £000's
UK quoted	42,171	47,448
Overseas quoted	12,613	23,477
	54,784	**70,925**

Pooled Investment Vehicles

		2009/10 £000's	2010/11 £000's
Unit and Investment trusts	UK	180,153	203,018
	Overseas	275,485	301,774
		455,638	**504,792**

UK Properties

	2009/10 £000's	2010/11 £000's
Freehold	55,595	63,805
Leasehold	32,775	34,875
	88,370	**98,680**

The properties were subject to independent valuation, as at 31 March 2011, by Mr D.V. Tittle Bsc FRICS in April 2011.

Cash Deposits

	2009/10 £000's	2010/11 £000's
Sterling Cash deposits	**99,800**	**111,700**

Other investment balances

	2009/10 £000's	2010/11 £000's
Cash deposits with custodian	6,739	7,005
Outstanding dividend entitlements	13,640	15,030
Interest due on cash deposits	202	337
	20,581	**22,372**

12 Investment management expenses

	2009/10 £000's	2010/11 £000's
Administration, management and custody	**1,191**	**1,253**

The investments of the Fund are wholly managed by the Loans and Investments Unit of Middlesbrough Council, in accordance with the Statement of Investment Principles.

13 Current assets

		2009/10 £000's	2010/11 £000's
Other Debtors		1,537	4,053
System Debtors		1,444	655
Contributions due in respect of	Employers	6,882	5,549
	Members	2,835	2,267
Cash balances		9,588	8,710
		22,286	**21,234**

14 Debtors due over 1 year

	2009/10 £000's	2010/11 £000's
Capital cost of early retirements	**1,653**	**3,124**

Scheduled Bodies have the option to pay the capital cost of Early Retirements over 5 years.

15 Current liabilities

	2009/10 £000's	2010/11 £000's
Rents received in advance	1,493	1,486
Accrued expenses	0	914
Other Creditors	864	1,092
	2,357	**3,492**

16 Related Party Transactions

The Fund is administered by Middlesbrough Council which is a related party as defined by International Accounting Standard 24 (IAS 24) 'Related Party Disclosures'. IAS 24 requires disclosure of information on related party transactions.

In its position as Administering Authority Middlesbrough Council has recharged scheme administration services to the Fund as follows;

	2009/10 £000's	2010/11 £000's
Support Service Recharges	100	112

In addition Middlesbrough Council had a £260 million, 10 year partnership with Mouchel Business Services for the provision of business, finance, IT, HR and other support services which commenced 1 June 2001. The partnership was subsequently extended for a further 5 years to 31 May 2016.

17 Actuarial Valuation

Contributions are paid to the Fund by the employers to provide for the benefits which will become payable to Scheme members when they fall due. The funding objectives are to meet the cost of Scheme members benefits whilst they are working and to build up assets to provide adequate security for the benefits as they accrue.

In order to check that the funding objectives are being met the Fund is required to carry out an Actuarial Valuation every 3 years, The Triennial Valuation.

An Actuarial Valuation was carried out as at 31 March 2010 using the 'Projected Unit Method' which produced the following results;

	£ million
Net Liabilities	2,250
Assets	2,233
Surplus (Deficit)	**(17)**
Funding Level	**99%**

IAS19/26 Disclosure

Following the introduction of International Financial Reporting Standards (IFRS) the Fund is now required, under International Accounting Standard (IAS)26 "Accounting and Reporting by Retirement Benefit Plans" (January 1987), to disclose the actuarial present value of promised retirement benefits. The calculation of this disclosed amount must be determined in accordance with IAS19 "Employee Benefits" (February 1998).

An IAS26/19 valuation was carried out for the Fund as at 31 March 2011 by Barnett Waddingham with the following results;

	£ million
Net Liabilities	2,831
Assets	2,573
Surplus (Deficit	**(258)**

These figures are presented for the purposes of IAS19 only. They are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

18 Additional Voluntary Contributions (AVC's)

Scheme members may make Additional Voluntary Contributions that are invested with the Fund's nominated AVC providers, the Prudential Assurance Co Ltd and Phoenix Life PLC. These contributions are not part of the Pension Fund and are not reflected in the Fund's accounts in accordance with regulation 5c of the

Pension Scheme (Management and Investment of Funds) Regulations 1998. The value of AVC investments are as follows:

Prudential AVC balances

	2009/10 £000's	2010/11 £000's
With Profits and Deposit Accounts	3,338	3,564
Unit Linked Accounts	1,252	1,367
	4,590	**4,931**

The total value of AVC contributions paid to Prudential during the year, was £1,169,990.

The value of investments at, and contributions paid to, Phoenix Life were not available from the provider at the time this document was prepared.

19 The Compliance Statement

Changes to the Local Government Pension Scheme Regulations

From April 2008 the Fund was governed by the following regulations;

The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007

The Local Government Pension Scheme (Administration) Regulations 2008, and

The Local Government Pension Scheme (Transitional Provisions) Regulations 2008

The new regulations have made significant changes to the scheme. Full details of the changes to the scheme, along with updated scheme guides, are on our website at www.teespen.org.uk.

Statement of Investment Principles

The Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 1999 require that Local Government Pension Scheme's administering authorities prepare, publish and maintain Statements of Investment Principles (SIP). The current version of the Teesside Pension Fund SIP was approved in December 2009 and contains statements on;

1. Investment responsibilities
2. The Myners Principles
3. Types of investments to be held
4. The balance between different types of investment
5. Risk

6. Investment Objective
7. The realisation of investments
8. Fund Investment Strategy: Ethical, Social and Environmental Perspective
9. Shareholder Governance
10. Performance Measurement
11. Compliance and Monitoring

The statement is maintained and published by Middlesbrough Council, copies of which are available on application, or it can be seen at the Fund's website at http://www.teespen.org.uk/documents/content/2009/Statement_of_Investment_Pri ncipals_2010.pdf

20 The Funding Strategy Statement

The Local Government Pension Scheme (Amendment) Regulations 2004 established the requirement for each Administering Authority to produce a Funding Strategy Statement setting out a long term view on funding liabilities. The main areas covered by the statement are;

1. The purpose of the Statement
2. The aim and purpose of the Fund
3. The responsibilities of the key parties
4. The solvency of the Fund
5. The identification of risks to the Fund
6. The links to the Statement of Investment Principles
7. Future Monitoring

The latest Funding Strategy Statement was approved by the Pensions Panel and was effective from 01 April 2011, and can be seen at http://www.teespen.org.uk/documents/content/2011/FSS_2011.pdf

21 Governance Policy

Under the Local Government Pension Scheme (amendment) (No.2) Regulations 2005 Middlesbrough Council, the Administering Authority to the Teesside Pension Fund, has drawn up a Governance Policy which sets out the procedures for the governance of the Fund, with the main areas covered being:

1. Frequency of meetings
2. Structure of the meetings
3. Membership
4. Principles of governance

The current policy document can be viewed at http://www.teespen.org.uk/documents/content/2009/Governance%20Compliance%20Statement%20May%2009.pdf

22 Communications Policy

The Teesside Pension Fund actively seeks to communicate with all of it's stakeholders, including the members, the employers and other external organisations. For example we have been providing every active member of the scheme with a statement of accrued benefits since 2001, well before it became compulsory to do so. The statement of accrued benefits also includes the member's State Pension Forecast to aid in their financial planning.

We also provide newsletters twice a year to all of our active and pensioner members, this allows us to inform you of any scheme changes which may made.

A Communications Policy Statement has been drawn up in order to ensure that the Fund offers clear communication to stakeholders of the Local Government Pension Scheme. The latest policy statement can be seen at http://www.teespen.org.uk/documents/content/2010/201008%20Communication%20Strategy%20Teesside%20Pension%20Fund.pdf

23 Actuary's Statement

Introduction

The last full triennial valuation of the Teesside Pension Fund was carried out by ourselves as at 31 March 2010. The results were published in our report dated March 2011.

2010 Valuation

The 2010 valuation certified a common contribution rate of 14.9% of pensionable pay to be paid by each employing body participating in the Teesside Pension Fund. In addition to this each employing body has to pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

Employer Contribution rates

Employers' contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet

- The ongoing annual accrual of benefits for active members in respect of each employer that build up each year within the Fund, allowing for future pay increases and increases to pension in payment when these fall due
- Plus an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund.

Asset Value and Funding Level

The value of the Fund's assets as at 31 March 2010 for valuation purposes was £2,233m which represented 99% of the Fund's accrued liabilities at that date allowing for future increases in pay and pensions in payment.

The contribution rates were calculated using the Projected Unit Method.

The liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date as follows;

- Rate of return on investments 6.7% per annum
- Rate of increases in pay 5.0% per annum
- Rate of Increases to pensions in payment 3.0% per annum

Post Valuation Events – Changes in market conditions

Since March 2010, we estimate that investment returns are likely to have been slightly more than assumed at the 2010 valuation although expectations for future levels of inflation have increased.

Overall, we estimate that the current financial position of the Fund will not be materially different that as at the 2010 valuation.

The next actuarial valuation is due as at 31 March 2013 and results will be reported during 2013/14.

24 Schedule of Contribution Rates

Net rate of contribution payable by each employing Organisation for the period 1 April 2010 to 31 March 2011 under regulation 79 of the LGPS Regulations 1997.

	Employers % Rate	£ Employees	£ Employers
Guisborough Town Council	18.20	2,638	7,498
Saltburn Marske & New Marske Parish Council	18.20	1,769	5,049
Durham Tees Valley Airport Limited	21.20	108,072	340,984
Loftus Town Council	18.20	1,668	4,963
University Of Teesside	14.00	1,637,471	3,421,443
Hartlepool College Of FE	13.80	180,392	381,150
St Marys College	13.80	25,064	55,868
Stockton Riverside College	13.80	185,057	401,877
Hartlepool 6Th Form College	13.80	33,048	76,601
Stockton 6Th Form College	13.80	35,804	49,557
Cleveland College Of Art & Design	13.80	94,939	188,219
Durham Tees Valley Probation Trust	15.80	960,853	2,288,511
Cleveland Fire Brigade	15.70	252,534	592,648
Cleveland Police	14.70	1,044,917	2,344,572
Redcar & Cleveland College	13.80	81,475	178,719
Prior Pursglove College	13.80	67,701	147,863
Future Regeneration Of Grangetown	17.60	3,723	10,080

	Employers % Rate %	Employees £	Employers £
Middlesbrough College	13.80	259,101	558,272
Unity City Academy	14.50	72,562	165,687
Kings Academy	14.50	69,238	157,703
Stagecoach Transit	21.10	39,743	148,836
Stagecoach Hartlepool	22.10	2,275	7,958
Hartlepool BC	14.60	3,354,802	8,666,210
Redcar And Cleveland BC	14.70	4,005,200	10,740,113
Middlesbrough Council	17.40	4,648,232	12,568,186
Stockton BC	14.80	5,980,119	14,363,087
Mouchel	15.40	543,080	1,283,022
C.I.C Elderly Persons Home	20.00	6,797	22,793
T.V.L.L	13.30	73,784	158,821
Trocn	16.70	36,503	90,703
Five Rivers	16.00	13,726	36,603
Nextiraone Ltd (Mouchel)	10.00	2,367	3,480
Tristar Homes Ltd	13.80	414,680	874,665
Coast And Country Housing	13.60	560,336	1,164,666
Dimensions	20.60	757	2,398
Liberata Uk Ltd	0.00	56,538	0
New Swindon Company	16.70	10,087	14,482
Nextiraone Ltd (SBC)	20.10	1,335	4,129
Mcalpine Government Services Ltd	20.00	32,227	97,178
Housing Hartlepool	14.10	394,018	840,679
Tees Active Ltd	13.40	137,958	291,497
OCS	23.20	1,525	6,421
Erimus	18.50	336,601	961,600
Macmillan Academy	14.50	89,311	196,519
Carillion	16.10	16,517	43,502
Crime Reduction Initiative	11.00	1,723	2,916
Five Lamps Organisation	14.40	985	2,183
Reliance Secure Task Management	15.00	4,249	10,143
Business And Enterprise Ne	15.10	105,069	235,215
Ofsted	21.60	9,607	30,107
Rstm (Custody Services)	15.00	23,506	54,246
Ingleby Barwick Town Council	18.20	2,005	5,615
Beamish Museum Ltd	14.80	99,652	236,174
Fabrick Housing Group Ltd	16.70	97,198	240,362
Vale Contract Services Ltd	18.20	10,400	34,792
Yarm Town Council	18.20	1,725	4,829
Care Quality Commission	13.70	2,019,246	3,789,548
Cleveland Fire Support Network	15.70	2,589	5,770
Oakfields Community College	17.40	41,431	114,204

	Employers Rate %	Employees £	Employers £
Freebrough Academy	14.70	25,375	60,131
North Shore Academy	16.20	35,731	91,598
Thornaby Academy	14.80	23,747	56,991
Taylor Shaw Ltd	15.00	561	1,530
Rm Education Ltd	14.50	3,574	8,359
Steria Ltd	15.70	336,510	806,773
Forward Swindon Ltd 1	8.70	7,136	13,740

Section 7: Glossary of Terms

Accounting Period

The period of time covered by the accounts; normally a period of 12 months commencing on 1st April and ending as at the balance sheet date of 31st March.

Accrual

A sum included in the accounts to cover income or expenditure attributable to the accounting period covered by the accounts but for which payment had not been received/made at the balance sheet date.

Accrued Benefits

The benefits for service up to a given point in time, whether vested rights or not.

Actuarial Gains and Losses

For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or the actuarial assumptions have changed.

Actuarial Valuation

A valuation of assets held, an estimate of the present value of benefits to be paid and an estimate of required future contributions, by an actuary, on behalf of a pension fund.

Accumulated Absences Account

A new requirement under IFRS is that the Council must make an accrual in its accounts at year end for any annual leave earned but not taken by employees at the end of the financial year.

Annual Governance Statement

The Annual Governance Statement is compiled following the review by the Council of the effectiveness of the systems of internal control and governance arrangements.

Section 7: Glossary of Terms

Assets Held For Sale

Assets held for sale are those where the value of the asset will be recovered by selling the asset rather than through usage. To be classed as held for sale the asset must meet the following criteria:

- Be available for immediate sale in its present condition.
- Its sale must be highly probable.
- Management expects the sale to take place within twelve months.

Assets Under Construction

At any time some projects will be incomplete and will need to be classified as 'fixed assets under construction'. The term can include assets, which are complete but not yet operational as well as items that are not complete. It is usual for assets under construction to be recognised but recorded as non operational until they are brought into use, at which point they are recognised as operational assets.

Audit

An independent examination of the Council's activities, either by internal audit or the Council's external auditor.

Balance Sheet

A statement of the balances and reserves at the Local Authority's disposal, the net current assets employed in its operation and the value of fixed assets held.

Budget

A statement reflecting the Council's spending plans for a specific period. The annual revenue budget is normally finalised and approved in February prior to the commencement of the new financial year.

Capital Charges

A charge of service revenue accounts to reflect the cost of utilising fixed assets in the provision of services.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or which adds to the value of in existing fixed asset.

Capital Adjustment Account

The Capital Adjustment account reflects the difference between the cost of fixed assets consumed and the capital financing set a side to pay for them.

Section 7: Glossary of Terms

Capital Financing

The methods of financing capital expenditure. This includes borrowing, direct revenue financing, leasing, the use of capital receipts, capital grants and external contributions.

Capital Grant

Grant from Central Government used to finance specific schemes in the capital programme. Where capital grants are receivable these are used, as far as possible, to finance capital expenditure to which they relate in the year that the grant is received.

Capital Receipts

Proceeds from the sale of capital assets. Such income may only be used for capital purposes, ie to repay outstanding borrowing or to finance new capital expenditure. Any receipts which have not yet been utilised are referred to as "capital receipts unapplied".

Cash and Cash equivalents

Cash equivalents are - "short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value". They are shown in the Balance Sheet along with cash under the heading "Cash and Cash equivalents". Previously, cash equivalents were held as Investments on the Balance Sheet.

Collection Fund Account

This account records the income received by the Council in relation to local taxation and non-domestic rates. It also shows how the income has been distributed to the preceptors and to the general fund.

Community Assets

Assets that the Local Authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Component Accounting

Where components of an asset are significant in value in relation to the total value of the asset as a whole, and they have substantially different economic lives, they should be recognised separately. For example, certain assets such as the Council's crematorium are made up of separate elements that have different useful lives

Contingency

The sum of money set aside to meet unforeseen expenditure or liability.

Section 7: Glossary of Terms

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the Local Authority's control.

Contingent Liability

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control; or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

The corporate and democratic core comprises all activities in which local authorities engage specifically because they are elected, multi-purpose authorities. The cost of these activities are over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services.

Council Tax

The form of local taxation in use since April 1993, based on property values.

Creditors

Amounts owed by the Council for work done, goods received or services provided by the end of the financial year for which payment has not yet been made.

Current Assets

An asset which will be consumed or cease to have material value within the next financial year (e.g. stocks and debtors).

Current Liabilities

These are amounts owing by the Council, which fall due for payment within a year, for example creditors or cash overdrawn.

Current Service Costs (Pensions)

Section 7: Glossary of Terms

The increase in the present value of a defined benefit scheme's liabilities expected to arise from the employee service in the current period.

Curtailment

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Debtors

Income due to the Council for services performed in the financial year for which payment has not been received by the end of the year.

Deferred Credits

Capital income due to be received in the future when disposals have taken place, e.g. the principal outstanding from the sale of Council houses.

Deferred Liabilities

Liabilities which, by arrangement, are payable beyond the next year, at some point in the future or paid off by an annual sum over a period of time.

Deferred Pensions

Individuals who have ceased to be active members but are entitled to benefits payable at a later date.

Defined Benefit Scheme

A pension scheme which defines the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme.

De minimus

A de minimus level is adopted to only reflect material transactions in the capital accounts. The Authority's policy on de minimus levels are outlined in the statement of accounting policies.

Depreciation

The measurement of the cost of re-valued amount of the benefit of the fixed assets that have been consumed during the accounting period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Direct Revenue Financing

Resources provided from the authority's revenue budget to finance the cost of capital projects.

Discretionary Benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the authority's discretionary powers.

Earmarked Reserves

These reserves represent monies set aside that can only be used for a specific purpose.

Equity

The net value of the Council's assets represented by reserves and balances.

Expected Rate of Return on Pension Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events of transactions that fall outside the ordinary activities of the authority and are not expected to recur.

Financial Reporting Standard (FRS)

These standards are developed by the Accounting Standards Board and regulate the preparation and presentation of financial statements. The Companies Act 1985 requires compliance to these Standards or disclosures on the notes if there are any material departures from those Standards.

Fixed Assets

Fixed assets that yield benefits to the Local Authority and the services it provides for a period of more than one year.

General Fund

The Local Authority's main revenue fund from which the cost of providing Council services is met. The main sources of income paid into the fund are the precept on the collection fund and specific government grants.

Section 7: Glossary of Terms

Impairment

Where there is a clear consumption of economic benefits to a fixed asset, such as physical damage or deterioration in the quality of service provided by the asset. Also, it can include a significant decline in a fixed assets market value.

International Financial Reporting Standards - IFRS

International Financial Reporting Standards is the basis on which the Council's accounts are to be prepared from 1st April 2010.

Intangible Assets

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. Examples of this type of expenditure are software and other licences, patents and trademarks and artistic originals.

Investment Property

An investment property is defined as a property, which is held exclusively for revenue generation or for the capital gains that the asset is, expected to generate. The asset is not used directly to deliver the Council's services. Investment properties are initially measured at cost and thereafter at market value.

Local Management of Schools

This refers to the statutory delegation of management and budget responsibility to individual schools. Individual schools' spending is not included in the Comprehensive Income and Expenditure statement. Surpluses or deficits are carried forward into the next financial year.

Materiality

The concept that the Statement of Accounts should include all amounts, which, if omitted or misstated could be expected to lead to distortion of the financial statements.

Minimum Revenue Provision (MRP)

The minimum annual charge to the revenue account for the repayment of outstanding long-term debt.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, split into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves

Section 7: Glossary of Terms

National Non-Domestic Rates (NNDR)

The business rate in the pound is the same for all non-domestic ratepayers and is set annually by the government. Income from business rates goes into a central government pool that is then distributed to authorities according to resident population.

Net Book Value

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost of current value less the cumulative amounts provided for depreciation.

Non-Distributed Costs

These are costs for which no user directly benefits and should not be apportioned to services.

Non-Operational Assets

Non-operational assets are fixed assets held by the authority but not directly occupied or used in the delivery of services. They include surplus properties awaiting disposal, investment properties and assets that are under construction.

Operational Assets

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Operating Leases

A lease other than a finance lease.

Operating Segments

The Council is required to identify and disclose information in its financial statements in respect of operating segments i.e. by Directorate. These are components of the Council about which separate financial information is provided to the Corporate Management Team and Members and is used in deciding how to allocate resources and in assessing performance.

Past Service Cost

For a defined benefit scheme, the increase in the present value of the scheme liabilities relating to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Section 7: Glossary of Terms

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Precept

The levy made on billing authorities by other bodies requiring them to collect income from Council taxpayers on their behalf, e.g. Police Authority.

Provisions

Funds set aside to cover potential liabilities which are likely or certain to be incurred at a future date but where the exact amount and timing of the liability is currently not known.

Prudence

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

Related Parties

Two or more parties are related parties when at any time during the financial period:-

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same sources; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interest; or the parties in entering a transaction are subject to influence from the same source to such an extent that one of the parties to the transactions has subordinated its own separate interests.

Related Party Transactions

A related party transaction is the transfer of assets or liabilities or the performance of services by, or for, a related party irrespective of whether a charge is made.

Revaluation Reserve

The revaluation reserve was introduced as part of the changes included within the 2006 SORP. The purpose of the reserve is to record the gains on revaluation of fixed assets that have not yet been realised through the

disposal of the asset. The balance on the reserve represents the revaluation gains accumulated since the 1st April 2007.

Reserves

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the authority. Some reserves are earmarked for specific purposes.

Revenue Expenditure

The day-to-day costs incurred in providing Council services. This comprises of staff costs, other operating costs and capital charges.

Revenue Support Grant

The main source of funding for local authorities provided by Central Government.

Service Reporting Code of Practice

A Chartered Institute of Public Finance (CIPFA) guide to accounting, which provides a consistent and comparable calculation of the total costs of services.

Specific Grants

Government grants given to local authorities and earmarked for specific services, e.g. Standards Fund Grant paid to Children Families & Children service.

SORP

Statement of Recommended Practice issued by CIPFA for accounting for transactions in the Financial Statements

Stocks (Inventories)

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories:-

- goods or other assets purchased for resale
- consumable stores
- raw materials and components purchased for incorporation into products for sale
- products and services in intermediate stages of completion
- long-term contract balances, and

- finished goods

Useful Life

The period over which the Local Authority will derive benefits from the use of a fixed asset.

Work in Progress

The cost of work undertaken on an uncompleted project as at the end of the financial year.